2013 Annual Report

TAILOR MADE

Deutsche Post DHL

Title and this page: DHL also logistically supports the well-known German fashion designer Michael Michalsky. He has even designed a collection made of packaging materials.

Dear shareholders, dear readers,

In today's age, tailored logistics services are a key to success for companies in many industries. We are proficient in this business and are determined to offer every customer precisely the service they need to be successful. Doing this means facing a wide range of challenges, even within one industry. We illustrate this on the following pages using the example of the fashion industry, a sector in which Deutsche Post DHL is one of the leading international logistics providers.

We are more than aware that our success is reliant on the success of our customers. It is therefore not without pride that I can report that we achieved all of the goals we set ourselves for 2013. What's more, we did so despite the fact that the market recovery hoped for failed to materialise and that we suffered from major negative currency effects.

Deutsche Post DHL increased profit from operating activities in financial year 2013 to €2.86 billion, due to improved margins. Consolidated revenue declined slightly to around €55.1 billion, largely due to negative currency effects. It was particularly pleasing to see that our most important drivers of growth, the parcel business and the international express business, remain intact.

The dynamic parcel business in Germany, for instance, contributed to the positive business development in the MAIL division. International business performance in the DHL divisions was largely impeded by negative currency effects. Although revenue was lower, we were still able to increase earnings in the EXPRESS and SUPPLY CHAIN divisions through strict cost management. The freight forwarding business, however, declined in an appreciably weakened market. In addition, EBIT in the GLOBAL FORWARDING, FREIGHT division included expenses for the New Forwarding Environment strategic project, with which we have already made good progress.

For the first time, we set ambitious cash flow targets for 2013 and we have clearly achieved them. After reporting a cash outflow in the prior year, operating cash flow has now improved to €2.99 billion. Furthermore, the Group's good financial position is also demonstrated by the favourable refinancing conditions we were offered on the capital market. For instance, in the reporting year we renewed a long-term credit facility early and at more favourable terms; we also issued two bonds with a total volume of €1 billion.

For my part, achieving our ambitious cash flow target is also a good example of what our employees are able to accomplish when they concentrate on our most important objectives – objectives as set out in our medium-term Group strategy. Since 2009, our "Strategy 2015" has been the framework for our endeavours to become the provider, employer and investment of choice.

With a network that spans the globe and outstanding market positions in the world's growth markets, we are a strong and reliable partner for our customers. We invest continually in the expansion of our infrastructure as well as our products and services.

As we move towards the goal of becoming employer of choice, we measure our progress using an annual Group-wide employee opinion survey. The results indicate high approval for our key performance indicators.

In addition to solid financial results, I am especially pleased that our performance is also reflected in the growing confidence shown to us by the capital market. Our share price outperformed the DAX for the third consecutive year and in May we shall propose to the Annual General Meeting that the dividend we pay to you be raised to €0.80 per share. This represents a payout of around 49% of adjusted net profits.

In the current financial year, we expect slight economic expansion at best. The global trading volumes relevant to our business are expected to perform similarly and impact our revenue accordingly, particularly in the DHL divisions. Against this backdrop, we expect consolidated EBIT to reach between €2.9 billion and €3.1 billion in financial year 2014. The MAIL division is likely to contribute around €1.2 billion to this. Compared with the previous year, we expect an additional improvement in overall earnings to between €2.1 billion and €2.3 billion in the DHL divisions. Operating cash flow is expected to see further positive development in line with the respective EBIT trend.

Furthermore, we remain confident that we shall achieve the objectives we have set for ourselves in "Strategy 2015". Overall, we continue to anticipate an increase in consolidated EBIT to between €3.35 billion and €3.55 billion in 2015. The MAIL division is likely to contribute at least €1.1 billion, whilst the DHL divisions are expected to contribute between €2.6 billion and €2.8 billion. We have adjusted the anticipated earnings contributions following the consolidation of parts of the domestic parcel business outside Germany within the MAIL division at the beginning of 2014.

Fashion is not the only industry in which today's end customers decide spontaneously to make purchases in store, from a catalogue, at their computer or on their smartphone. E-commerce and the B2C business associated with it will continue to boost our parcel business and open up many possibilities even beyond the 2015 strategic perspective.

Yours faithfully,

DR FRANK APPEL
CHIEF EXECUTIVE OFFICER

MARCH 2014

THE PINNACLE OF FASHION LOGISTICS

DHL OFFICIAL LOGISTICS PARTNER FOR FASHION WEEKS

On with the show: DHL ensures every item of clothing makes it to the catwalk on time.

DHL provides the fashion industry with logistics solutions that go above and beyond standard service.


DHL
EXCELLENCE. SIMPLY DELIVERED.
MEN'S SUITS
WOMEN'S SUITS
COATS
DRESSES

Backstage it's all hustle and bustle. Out front everyone is hyped up in anticipation. The lights go down and the spotlight goes on – it's show time. Just a few minutes on the catwalk can make or break whether a new designer collection will be a success or not. Everything has to be perfect. One of the prized pieces not arriving on time is simply unthinkable.

"Buongiorno, Mauro." – When Mauro Zardi's telephone rings, he's often greeted by staff from well-known designer brands. Mauro is a Fashion Project Manager at DHL Express in Milan. Regardless of whether the shelves of a new boutique need to be filled, garments are required at a fashion show or a dress that is currently on a rack in Milan is urgently needed in Paris, Mauro can find a solution.

"We know exactly what our customers need and handle everything associated with a designer's collection," says Mauro. "That involves fashion show logistics as well as fully supplying their shops and picking up remaining stock at the end of the season. We've worked with some customers for many years now and offer them services beyond what is standard."

WORLDWIDE NETWORK FOR FASHION LOGISTICS

Fashion experts like Mauro Zardi benefit from the Group's global express network. More than 250 planes are on standby, ready to travel between the company's main hubs in Leipzig, Cincinnati and Hong Kong, not to mention the many other hubs around the world. What cannot be transported by air makes the journey by road in one of the 31,000 vehicles that make up the global fleet. And when time is of the essence, Mauro doesn't hesitate in sending a special courier. This is how DHL ensures that all items reach their destination at the time the customer chooses – regardless of whether it's within hours, same day or the next day.

DHL offers the fashion market flexible, tailored logistics solutions. Its portfolio is broad and includes the management of global supply chains – from the purchase of materials right through to sales. Services such as special packaging, the safeguarding of goods, customs clearance, warehousing, inventory and returns processing are also available. In order to offer these services, the Group's forwarding division – DHL Global Forwarding – has, for example, invested in several Fashion and Apparel Centres for Excellence in the Asia Pacific region. The centre's fashion logistics experts offer services that go well beyond simple transport – for example, warehousing with cutting-edge security systems that guard against theft. What's more, the Centre of Excellence offers a variety of value-added services such as inventory picking, labelling, visual quality control and repacking.

HITTING THE CATWALK

DHL has been the official logistics partner for Fashion Weeks for six years. It's the pinnacle of fashion logistics – over the fashion week season, in excess of 700 designers showcase their collections at around 1,600 different events all around the world. An audience of over 800,000 watches this catwalk spectacle live each year. Everything has to go a little faster – with final touches being made to the collections right up to the last minute. What's more, the items in question are particularly valuable.

"I turn my ideas into clothing. This is how abstract ideas become something that is really tangible. You only get that impression when you touch my clothing and feel the material. I want to take my creations to as many people as possible – and that's precisely what DHL can help me do."

Yu Amatsu

FOSTERING THE NEXT GENERATION OF DESIGNERS

DHL not only works with well-known and established designers, the logistics company also supports the next generation. In recent years DHL has held a number of different young designer competitions. Talented individuals have received the opportunity to present their collections in Toronto, Tokyo, Sydney and Moscow and further support was provided as of 2014 with the set-up of an international competition within the framework of the DHL Exported programme. Applications are open to all couturiers who have already established themselves in their domestic markets and have designs on taking on the international scene. But DHL is not only supporting this expanded programme with its logistics expertise, up-and-coming designers will also receive help with financing, searching for new sales partners and accessing the e-commerce market. The competition winner will receive the opportunity to present two consecutive collections to one of the four major fashion markets – Milan, New York, Tokyo or London. It could potentially be just the boost needed to launch an international career.

INVESTING IN THE FUTURE

Yu Amatsu's story is a prime example of DHL's commitment to fostering young fashion talent. In 2012, he won the young designer competition in Tokyo and in 2013 he presented his "A Degree Fahrenheit" label at Berlin Fashion Week. Although Yu Amatsu was certainly not an unknown in Japan, DHL helped him to penetrate the international market, understand the customs clearance process and transport his collections. The young designer wishes to meld the best of both worlds from Asia and Europe in his fashions. And who better to bring it all together than a global logistics company with the experience of people like Mauro Zardi – where fashion logistics is the warp and weft of working life.

a Hot or not: the audience decides in a matter of seconds whether or not the collection will be a success.

b The latest fashions are not only showcased in Moscow: the various Fashion Weeks are cause for about 1,600 events around the globe every year.

c Fostering new talent: Yu Amatsu presented his collection at Berlin Fashion Week in 2013.

d Rachelle Sinclair and Fay Ogunbadejo, the design duo behind the Kahlo label, have secured the DHL Fashion Expert Scholarship 2013.

dhlexported.com

WHY TECHNOLOGY RINGS MY BELL

Three questions to the well-known consumer psychologist Stephan Grünewald.

Mr Grünewald, imagine the scene: the doorbell rings, the DHL courier is standing at the door and hands over a package. It's the online purchase you've been expecting. Could you describe for us the psychology of the situation: what is the recipient feeling at this moment?

A feeling of happiness. It's as if you've just received a gift. The DHL employee is, so to speak, Father Christmas for grown-ups – one who brings presents all year round.

Can online shopping really trigger that feeling of happiness? Virtual shopping isn't exactly an experience for the senses. You can't touch, feel and try out products when you're sitting in front of the computer.

Online shopping is kind of an advance payment that the consumer has to make in order to experience that feeling of happiness when the delivery arrives. It is correct that shoppers are not able to touch or feel the products but if you take a look at the online shopping process chain, then – I have to say – there's an element of wish fulfilment there. Many consumers really dive into catalogues or websites before they make a purchase. They asked themselves: how can I treat myself? What style of clothing is for me? And what could I become if I bought this or that product?

By online shopping, we spare ourselves a certain level of mental anguish and can be more courageous or experimental. We browse in a safe place – our own home – and avoid the public catwalk. People tend to buy items of clothing they might not even have tried on in the shop or allow themselves to pick out a larger size. After all, you can try on things and pick out what you like at home alone or with a good friend in a safe and secure atmosphere and without having to come into contact with the salesperson or other customers.

Moreover, online shopping disconnects you from the actual costs of shopping. You avoid your own personal transport logistics. You don't have to leave the house and venture into packed shops, and you don't have to carry bags. You get it handed to you on your own doorstep. This further enhances the feeling of receiving a gift and also triggers a moment of surprise in addition to the feeling of happiness.

But why is it a surprise to open a package you ordered yourself?

People resort to subconscious strategies to produce this surprise effect. They sometimes forget what they have ordered. Not because they are scatterbrained but because their psyche takes over. This way they can reward themselves time and again, triggering the feeling of receiving a gift and of being surprised.

Stephan Grünewald is one of two founders of the Rheingold institute for qualitative market and media research in Cologne, Germany. His new book, "Die erschöpfte Gesellschaft" (the exhausted society) was published in 2013.

10,780
Clothing

2,520
Computer and accessories

2,590
Books

Online and mail-order revenue, 2012, by goods category in Germany (€ m)
Source: BHV

4,080
Electronic items

1,920
Furniture and decorations

1,510
Textiles (excluding clothing)

960
Consumer electronics

1,620
Household appliances

1,880
Shoes

2,500
Hobby, collecting and leisure articles

SCREAM FOR JOY

DHL CO-WRITES THE ZALANDO SUCCESS STORY

Smiling online shoppers hug their postmen, people cry out with joy when they clap eyes on a DHL courier – or so Zalando would portray its customers. The story of this online shop is nothing if not fast paced: the small corporation, founded in 2008 by Robert Gentz and David Schneider as a start-up in a Berlin flat, is today Zalando – one of the heavyweights in the German online shopping market.

In the beginning, the founders packed and took the parcels to the post office themselves. Within a few weeks of the company's founding, they had to order a taxi to transport the parcels, with their daily volume quickly rising to around 60 parcels. Today, the use of taxis to transport parcels to an outlet has ceased to be logistically viable: Zalando now sends an average of one million parcels to customers every month.

Deutsche Post DHL supports growth

Without the help of a strong logistics partner, it would not have been possible for the company to handle such rapid growth – and DHL Paket has been on board from the word go. Today, Deutsche Post DHL's parcel branch is the company's main shipping partner, handling all of Zalando's dispatches and the majority of its returns.

"Our services make us an ideal partner for Zalando," explains Katja Herbst, Chief Sales Officer at DHL Paket. "We've been working together for years and we share a common goal: satisfied customers."

DHL Paket collects the prepared parcels from Zalando and takes them to the nearest parcel centre, where they are sorted before being delivered to the recipient. However, DHL doesn't stop there. Its services go far beyond parcel delivery processing. In a measure designed to minimise idle time, DHL also provides Zalando with warehouse logistics support at the logistics centre in Erfurt where the company stores some of its stock. This collaboration also includes the handling of incoming goods from manufacturers and the distribution of samples.

Faster shipping fulfils customer expectations

"Deutsche Post DHL has been a reliable, flexible and innovative partner since we started this business in 2008. DHL inspires a sense of confidence and meets the high expectations of our customers, who wish to receive their products quickly," says David Schröder, CEO of Zalando Operations GmbH. But the partnership goes deeper than that, he explains: "we learn from each other and work together to continuously optimise our high standards in terms of both delivery times and customer service".

Postman's knock

Yellow-and-red-clad delivery drivers out and about with parcels sporting the black-and-orange logo have long since been a common sight in Germany. In fact, Deutsche Post DHL couriers have come to play a central role in Zalando's advertising campaign over the past few years. With the slogan "scream for joy" (*Schrei vor Glück*), their advertisements feature customers – predominantly women – doing just that as the postman rings the doorbell, bringing parcels full of shoes and clothing. As soon as these advertisements hit television screens, the click rate on the home page shoots up – as does the number of orders.

The Deutsche Post DHL courier plays a leading role in Zalando advertisements.

The deliverers are the link between Zalando and the customer. In fact, the advertisements represent both a tribute and a thank you to all those delivering parcels across the country. After all, they have accompanied Zalando right from the start and are an important part of the company's success story.

In 2012, the online fashion shop generated revenues of €1.15 billion. Zalando ended the first half of 2013 with net revenues of €809 million. The company's assortment now boasts more than 150,000 products – from shoes and clothing to accessories and sporting goods. A first-class logistics service is non-negotiable in ensuring this success story continues and Deutsche Post DHL has introduced many services to make the lives of both the online supplier and its customers even easier. "Our new services put online shops in the position to offer their customers even faster and more convenient parcel delivery options," says Andrej Busch, CEO DHL Paket.

Zalando expands into Europe

Zalando is benefiting here, too, and is now extending its successful co-operation with Deutsche Post DHL beyond its domestic borders. Within one year of founding the company, the online fashion shop began making deliveries to Austria, followed by the Netherlands and France. Indeed, Zalando now operates in 15 European countries, generating more of its revenue outside Germany. DHL Freight handles the bulk of international shipments to neighbouring countries. Zalando continues to grow and the success story of the start-up that turned into a European fashion giant is far from over.

Deutsche Post DHL offers convenient delivery solutions: the around 2,650 Packstations across Germany, for example, facilitate the collection and dispatch of parcels both day and night.

SENDING AND RECEIVING PARCELS MADE EASY

Mobile services from DHL Parcel

With the barcode scanner our customers can track their DHL items, calculate postage, find their closest Packstation, Paketbox or postal outlet, or contact customer service – all with the DHL app. dhl.de/mobil

All services are available throughout Germany.

DHL Paketshops

Paketshops offer our customers another alternative when mailing parcels, small packages and returns. Opening hours are flexible and customers do not have to queue to post a parcel. dhl.de/paketshop

DHL Paketbox

Thanks to this letterbox for parcels and small packages our customers can send pre-stamped parcels, small packages and returns around the clock – now from around 1,000 locations in Germany. dhl.de/paketbox

DHL collection service

This simple and convenient service allows customers to have their parcels and small packages collected by one of our couriers from their home or any specified address – nationwide in Germany. dhl.de/abholung

DHL Packstation

Packstation users can send and receive parcels day and night. Gone are the days of waiting for a courier or worrying about opening hours. There are now around 2,650 Packstations available throughout Germany. dhl.de/packstation

Post office direct

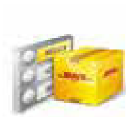
People who are rarely at home during the day have the option of having their items sent directly to the postal outlet of their choice, ready for collection at their convenience.

Parcel notification and preferred day

With the parcel notification service, our customers know when their parcel will arrive. And if they are not at home, they can choose another delivery date using the preferred day service.

Preferred location

Upon request, we deliver items to customers even if they are not at home. They stipulate a concealed place on their property where we can leave the parcel when they are not in.



Preferred neighbour

Alternatively, customers may nominate someone in their immediate neighbourhood with whom we can leave their parcels if they are not at home.

An overview of all recipient services is available at: paket.de

FROM CATWALK

LOGISTICS, MADE TO MEASURE

Fashion is a fast-moving business. Today's must-have could be tomorrow's overstock. Online retail has taken this to the next level as consumers are increasingly freed from the constraints of time and place, and schedules for getting new goods to market are ever tighter. For logistics providers like DHL, this means that the pressure to increase speed while lowering costs is becoming more intense.

Meeting this challenge requires agility within an optimised cost structure – and in the fashion industry, this applies to logistics providers and manufacturers alike. That was the conclusion of a DHL white paper based on the findings of a "Fashion Master Class" workshop held in May, 2013. DHL invited executives from brands like Adidas, Levi Strauss & Co. and the Tom Tailor Group to discuss strategies on the future of fashion logistics. The general consensus: the demand for speed, flexibility, responsiveness and control in the supply chain is greater than ever before.

The paper's author, Lisa Harrington of the strategic supply chain consulting firm lharrington group LLC, sees a number of trends that are radically changing the fashion landscape.

Increasing fluidity between online and offline

One of these is omni-channel retailing, in which modern consumers switch seamlessly between purchasing items at online and brick-and-mortar stores. "Nowadays, one in ten online orders is now issued from within a store," explains Marcel Beelen, Vice President Business Development, DHL Fashion & Lifestyle Europe, "meaning customers notice an item in a shop and then order it via their hand-held device." Shoppers can also decide whether purchases should be delivered to their home, to the store or any other collection point.

This style of shopping has fundamentally changed the world of inventory management. "In the past, brands often separated the online and offline world, with separate systems and inventories being the norm," comments Beelen. "Nowadays, there is a strong desire to integrate and handle both environments with a single system and out of one inventory." Store managers can use tracking systems at any time to follow the progress of a specific item along the chain. This allows goods in transit to be considered "on-hand inventory", able to be sold to customers.

A logistics challenge

"Keeping both transparency and control of inventory and merchandise flow are the real challenges for logistics," agrees Carsten Schmelting, responsible for supply chain management at German clothing manufacturer Tom Tailor. The company produces twelve different collections a year for each of its eleven clothing lines, manufactured predominantly in Asia. It sells them both retail and wholesale, and increasingly via online shops in 21 countries. Since 2008, DHL has been a third-party logistics provider for major parts of the Tom Tailor operation.

With Tom Tailor's online sales growing and its stationery distribution network spreading, the two channels are becoming increasingly integrated. For example, the company is currently examining whether it could be possible for customers to return items ordered online, directly to stores. But this, in turn, throws up its own questions: Should these articles be added to the local inventory or brought to a central warehouse? "A lot of new processes and booking procedures are involved as well as critical monetary issues," says Carsten Schmelting.

40,000
square metres of space make up the new DHL logistics centre geared specifically for Tom Tailor. DHL broke ground in 2013.

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40
million units were processed by DHL Supply Chain for Tom Tailor in 2013.

TO SIDEWALK

Faster and faster

Another key trend within the industry is known as “fast fashion”. Inditex, the parent company of Zara, pioneered this style of “disruptive” retailing. Instead of purchasing huge inventories in distant factories with long lead times in the hope that the goods would sell well, these retailers produce small batches of items in nearby factories, with incredibly fast turnaround and delivery. If an item sells, more can be produced and delivered quickly. If not, there is less stock to mark down. “In the past, there were four seasons a year. Nowadays, the shop floor changes every four weeks,” comments DHL’s Beelen. Tom Tailor manager Schmelting agrees: “Fashion has always been fast, but over the past ten years we have shortened the lead times between conception and delivery of a collection considerably, in order to stay on top of the trends.”

DHL manages the entire supply chain

Speed is not the only factor in successful fashion logistics. Quality and cost- cutting are important, too. “At the end of the day, we need to bring those three issues in line,” says Schmelting. This is only possible through planning, continuous process optimisation and innovative solutions, such as RFID tagging – and state-of-the-art automation. It is also important to carefully examine interfaces: many incremental steps are involved between sourcing raw materials and delivering the final goods – and poor handovers or missing information can cost both time and money. Thanks to years of experience and its sophisticated supply chain management systems, DHL protects its fashion customers from problems like these – and makes sure the latest styles are at the right place, at the right time.

MORE THAN TRANSPORT AND WARE- HOUSING

DHL is a full service provider offering exclusive and customised value-added services to their fashion customers. Examples are steaming, attaching alarm tags and price ticketing.

a All present and correct: transparency and stock management are the order of the day – not only in the high bay warehouse but throughout the entire logistics chain.

b Tom Tailor produces twelve collections for eleven lines every year.

c Tom Tailor now distributes its products retail, wholesale and online throughout 21 countries.

OUR BUSINESS

Deutsche Post

Deutsche Post is Europe's largest postal service provider, the market leader on the German letter and parcel market and has a leading position in international mail. Its portfolio ranges from standard products to environmentally-friendly and tailored solutions for consumers and business customers in the areas of mail communication, dialogue marketing and transporting parcels.

MAIL

Business units and products

Mail Communication
Mail products
Special services
Franking
Philately

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

Press Services
Press distribution services
Special services

Parcel Germany
Parcel products
Special services
Packstations, Paketboxes
Portals: MeinPaket.de; Allyouneed.com
paket.de

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

Pension Service
Database administration
Payment processes

Customers

40.7 million households
3.7 million business customers
2.0 million retail outlet customers per working day

Network in Germany

82 mail centres
33 parcel centres
Around 2,650 Packstations
Around 1,000 Paketboxes
Over 26,000 retail outlets and points of sale
64 million letters per working day
More than 3.4 million parcels per working day

Business units and market positions, page 24 ff.
Objectives and strategies, page 31 ff.
Business performance in the divisions, page 62 ff.
Future economic parameters, page 101 ff.

With its expertise in the cross-border express business, air and ocean freight, road and rail transport and contract logistics, DHL is the market leader in the international logistics industry. With a global network and local expertise as well as a commitment to service and quality we provide solutions tailored to customer requirements in more than 220 countries and territories.

EXPRESS

Products

Time Definite
Same Day
Day Definite

Regions

Europe
Americas
Asia Pacific
MEA (Middle East and Africa)

Network

> 220 countries and territories
3 main global hubs
> 40,000 Service Points
2.7 million customers
31,000 vehicles
> 250 dedicated aeroplanes

GLOBAL FORWARDING, FREIGHT

Products

Global Forwarding
Air freight
Ocean freight
Industrial projects
Transport management
Customs clearance

Freight
Full truckload
Part truckload
Less than truckload
Intermodal transport

Regions

Global Forwarding
Worldwide
> 150 countries and territories

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

Locations

Global Forwarding
> 850 branches

Freight
> 180 branches

SUPPLY CHAIN

Supply Chain

Services
Warehousing
Distribution
Managed transport
Value-added services
Supply Chain management and consulting

Focus sectors
Consumer
Retail
Technology
Life Sciences & Healthcare
Automotive
Energy

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

Williams Lea

Marketing Solutions
Office Document Solutions
Customer Correspondence Management

CONTENTS

Cross-references

Websites

01 SELECTED KEY FIGURES

		2012	2013	+/– %	Q4 2012	Q4 2013	+/– %
Revenue	€m	55,512	55,085	–0.8	14,577	14,494	–0.6
Profit from operating activities (EBIT)	€m	2,665	2,861	7.4	827	885	7.0
Return on sales[1]	%	4.8	5.2	–	5.7	6.1	–
Consolidated net profit for the period[2]	€m	1,640	2,091	27.5	538	772	43.5
Operating cash flow	€m	–203	2,994	–	–629	1,561	–
Net debt[3]	€m	1,952	1,481	–24.1	–	–	–
Return on equity before taxes	%	23.6	26.7	–	–	–	–
Earnings per share[4]	€	1.36	1.73	27.2	0.45	0.64	42.2
Dividend per share	€	0.70	0.80[5]	14.3	–	–	–
Number of employees[6]		428,287	435,520	1.7	–	–	–

[1] EBIT/revenue.
[2] After deduction of non-controlling interests. Prior-year amount adjusted Note 4.
[3] Calculation Group Management Report, page 61.
[4] Basic earnings per share. Prior-year amount adjusted.
[5] Proposal.
[6] Average FTEs.

GROUP MANAGEMENT REPORT

19 —— 106

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GROUP MANAGEMENT REPORT

GENERAL INFORMATION

Deutsche Post DHL is the world's leading mail and logistics services group. The Deutsche Post and DHL corporate brands represent a one-of-a-kind portfolio of logistics (DHL) and communications (Deutsche Post) services. We provide our customers with both easy to use standardised products as well as innovative and tailored solutions ranging from dialogue marketing to industrial supply chains. About 480,000 employees in more than 220 countries and territories form a global network focused on service, quality and sustainability. With programmes in the areas of environmental protection, disaster management and education, we are committed to social responsibility.

Business model and organisation

Four operating divisions

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. The Group is organised into four operating divisions, each of which is under the control of its own divisional headquarters and is subdivided into business units for reporting purposes.

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

Glossary, page 218

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

Our GLOBAL FORWARDING, FREIGHT division handles the carriage of goods by rail, road, air and sea. Our services extend from standardised container transport to highly specialised end-to-end solutions for industrial projects, and solutions tailored to specific sectors.

Our SUPPLY CHAIN division provides warehousing, managed transport and value-added services at every link in the supply chain for customers in a variety of industries. With Williams Lea we also offer solutions for corporate information and communications management tailored precisely to the needs of our customers.

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

A.01 Organisational structure of Deutsche Post DHL

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

Organisation in Human Resources board department adjusted

We made adjustments to the Human Resources board department in the reporting year in order to meet changed requirements across all business units. It now comprises the functions “HR MAIL”, “HR EXPRESS”, “HR GLOBAL FORWARDING, FREIGHT”, “HR SUPPLY CHAIN”, “HR Headquarters & International Services, GBS & CSI”, “Corporate Executives & Talent Management”, “Industrial Relations, Civil Servants”, “Compensation & Benefits”, and “HR Performance & Programs”.

A presence that spans the globe

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

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.

Further information, page 220 f.

Page 24 ff.

A.02 Market volumes[1]

Global
Air freight (2012): 24m tonnes[2]
Ocean freight (2012): 34m TEUs[3]
Contract logistics (2012): €159bn[4]
International express market (2011): €22bn[5]

Germany
Mail communication (2013): €4.5bn[6]
Dialogue marketing (2013): €17.2bn[6]
Parcel (2013): €8.2bn[6]

Americas
Air freight (2012): 6.4m tonnes[2]
Ocean freight (2012): 6.0m TEUs[3]
Contract logistics (2012): €46.1bn[4]
International express market (2011): €7.4bn[5]

Europe
Air freight (2012): 4.1m tonnes[2]
Ocean freight (2012): 5.1m TEUs[3]
Contract logistics (2012): €59.6bn[4]
International express market (2011): €6.8bn[5]
Road transport (2012): €174bn[7]

Middle East/Africa
Air freight (2012): 1.5m tonnes[2]
Ocean freight (2012): 2.8m TEUs[3]
Contract logistics (2012): €4.6bn[4]
International express market (2011): €0.3bn[5]

Asia Pacific
Air freight (2012): 11.6m tonnes[2]
Ocean freight (2012): 19.3m TEUs[3]
Contract logistics (2012): €49.1bn[4]
International express market (2011): €7.5bn[5]

[1] Regional volumes do not add up to global volumes due to rounding.
[2] Data based solely on export freight tonnes. Source: Copyright © IHS, 2013. All rights reserved.
[3] Twenty-foot equivalent units; estimated part of overall market controlled by forwarders. Data based solely on export freight tonnes. Source: Copyright © IHS, 2013. All rights reserved.
[4] Source: Transport Intelligence.
[5] Includes express product Time Definite International. Country base: AT, BE, CH, CZ, DE, DK, ES, FR, IL, IT, NL, NO, PL, RU, SE, TR, UK (Europe); AR, BR, CA, CL, CO, CR, MX, PA, VE, US (Americas); AU, CN, HK, ID, IN, JP, KR, MY, NZ, SG, TH, TW, VN (Asia Pacific); AE, ZA (Middle East/Africa). Latest available market study. Source: Market Intelligence, 2012, annual reports and desk research.
[6] Company estimates.
[7] Country base: total for 19 European countries, excluding bulk and specialties transport. Source: MRSC MI Freight Reports 2008 to 2012, Eurostat 2010.

Business units and market positions

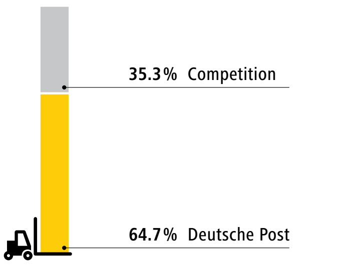
MAIL DIVISION

The postal service for Germany

As Europe's largest postal company, we deliver more than 64 million letters every working day in Germany alone. We offer all types of products and services to both private and business customers, ranging from physical, hybrid and electronic letters and merchandise to special services such as cash on delivery and registered mail. Our E-Postbrief product provides a secure, confidential and reliable platform for electronic communication. It allows companies, public authorities and private individuals to send secure communications whilst reducing processing costs.

A.03 Domestic mail communication market, business customers, 2013

Market volume: €4.5 billion



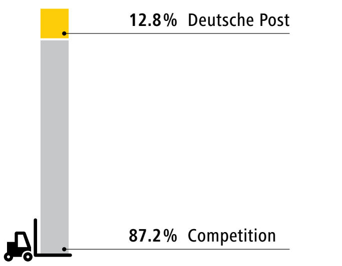
Source: company estimate.

For the first time in 15 years, we raised the prices of our *Standardbrief* and *Maxibrief* letter products with effect from 1 January 2013. Last year, we were required by the *Bundesnetzagentur* (German federal network agency) to adjust the qualifying conditions for the delivery of identical invoices. As a result, we discontinued our *Infobrief* product. Some customers now send traditional letters as an alternative, which has increased revenue in the domestic market for mail communication.

In the reporting year, the market for business communications was approximately €4.5 billion (previous year: €4.2 billion). In order to more precisely reflect actual market conditions, we look at the competitive business customer market. We therefore indicate those companies that are service providers to business customers, i.e., both competitors who offer end-to-end solutions as well as consolidators who offer partial services. At 64.7% our market share was slightly above the prior-year level (62.7%), primarily because customers have been increasingly sending traditional letters since the *Infobrief* product was discontinued.

A.04 Domestic dialogue marketing market, 2013

Market volume: €17.2 billion



Source: company estimate.

Targeted and cross-media advertising

Companies can use our solutions to design and print advertising mail themselves and send it at reasonable rates via our network. We provide our customers with online tools and services to ensure the quality of their addresses and the efficient identification of target groups. Companies may rent the addresses of these identified target groups from us for their own advertising campaigns as needed. We also offer a broad range of digital solutions, which customers can use for cross-media and targeted advertising. The German dialogue marketing market comprises advertising mail along with telephone and e-mail marketing. In 2013, this market shrank by 2.8% year-on-year to a volume of €17.2 billion (previous year: €17.7 billion). The mail-order industry, in particular, considerably reduced advertising expenditure. The insolvencies of Neckermann and the do-it-yourself chain Praktiker were also felt. Our share of this highly fragmented market declined to 12.8% (previous year: 13.5%), a result that is also a consequence of the discontinuation of our *Infobrief* product.

Press distribution services

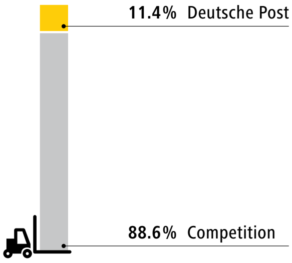
Glossary, page 218
Glossary, page 218

We deliver newspapers and magazines nationwide throughout Germany on the day specified by the customer. Our Press Services business unit offers customers two main products for this: preferred periodicals, which is the traditional method publishers use to post the publications to which their customers have subscribed, and standard periodicals, which companies primarily use to distribute customer or employee magazines via our network. We also partner with publishers to sell subscriptions to more than 500 press products both online and offline as part of our Deutsche Post *Leserservice*, a service that has seen much success.

The German press services market had a total volume of 14.8 billion items in 2013, a decline of 2.0% from the prior year. Consumer and specialist magazine circulation, in particular, has decreased. Our competitors are mainly companies that deliver regional daily newspapers. In an overall shrinking market, we continued to maintain our share at 11.4%.

A.05 Domestic press services market, 2013

Market volume: 14.8 billion items



Source: company estimate.

Parcel business focuses on customer needs

With over 13,000 retail outlets, around 2,650 Packstations and around 1,000 Paketboxes we offer our customers the densest drop-off network in Germany. 10,000 Paketshops were added in the reporting year; another 10,000 are to follow by the end of 2014. On the whole we transport more than 3.4 million parcels and small packages within Germany every working day. Volumes are growing as are customer demands. Throughout our innovations in our parcel business, customers are always in focus.

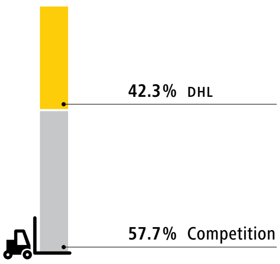
Recipients have the option to choose where their parcel should be delivered. They are notified of the day on which delivery will take place – and in many regions the delivery time as well. Our courier service even provides same-day parcel delivery and evening delivery within a delivery window of the customer's choice.

We are expanding the logistics platform, allowing business customers to grow their online retail business even more quickly: small and medium-sized retailers can take advantage of an additional sales channel at our shopping portal, MeinPaket.de. On request, we can even cover the entire supply chain – from warehouse logistics to returns management. We are developing the online food retailing segment at our online supermarket, Allyouneed.com, and our *2-Mann-Handling* offers a solution for delivering furniture ordered online.

The German parcel market volume totalled around €8.2 billion in 2013, nearly 5.1% more than the prior year. For years now, e-commerce has been the most important driver of growth. In 2013, business customer volumes again experienced very strong growth and had a positive impact on growth in the mail-order and parcel services businesses. Overall, our market share in the reporting year was approximately 42.3%.

A.06 Domestic parcel market, 2013

Market volume: €8.2 billion



Source: company estimate.

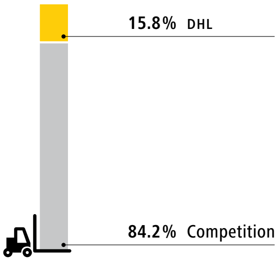
Sending mail and parcels internationally

We carry mail and parcels across borders and offer international dialogue marketing services. In addition, we serve business customers in key domestic mail and parcel markets, including in the United States and China.

We set ourselves apart from the competition by offering innovative products. For example, we are developing international shipping solutions for private consumers (B2C) in the growing e-commerce sector. This now includes a returns solution for 24 European countries. Our offer also comprises consulting and services for all physical and digital dialogue marketing needs. Furthermore, we offer international physical, hybrid and electronic written communications for international business customers, giving them the flexibility to decide what best suits their needs. Foreign customers tap into our expertise and experience in order to do business successfully in the German market. The global market volume for outbound international mail was approximately €6.7 billion in 2013 (previous year: €6.8 billion). The decline in light-weight letters and press products could only be compensated for in part by the increase in heavier items. Our market share remained stable at the prior-year level of 15.8%.

A.07 International mail market (outbound), 2013

Market volume: €6.7 billion



Source: company estimate.

EXPRESS DIVISION

Leading provider of international express services

In the EXPRESS division, we transport urgent documents and goods reliably and on time from door to door. Our network spans more than 220 countries and territories, in which some 100,000 employees provide services for more than 2.7 million customers. As a global network operator that applies standardised processes, we are constantly optimising our service to keep our customer commitments and respond specifically to customers' wishes. All of this makes us the leading provider of international express services.

Our core business is time-definite shipments

International time-definite courier and express shipments are our core business. Our main product, Time Definite International (TDI), offers delivery as fast as possible. Customers in more than 180 countries can now purchase our premium Time Definite product with guaranteed pre-12 delivery and money-back guarantee. Our portfolio is complemented by industry-specific services such as Medical Express and Collect and Return, the latter of which is used in particular by customers in high-tech industries. Technical products are collected from the user, taken in for repairs and then returned. DHL has also increased activities for customers in the Life Sciences & Healthcare sector. We offer various types of thermal packaging for temperature-controlled, chilled and frozen content.

Glossary, page 218

Our virtual airline

With an annual average of 3.1 million transported tonnes, DHL is one of the leading international air freight carriers. Our network consists of several airlines, some of which we own 100%.

This combination of our own and purchased capacities, which include varied terms of contract, allows us to respond flexibly to fluctuating demand. We do not enter into long-term capacity obligations until our demand for cargo space exceeds the existing offering. We use the available cargo space for our main product TDI as part of long-term contracts – Block Space Agreements – and we sell excess capacity on the air freight market. The largest buyer of this is the DHL Global Forwarding business unit.

Glossary, page 218

We expanded services and capacities in the reporting year to meet rising trade volumes. Additional routes were opened between Asia and the United States as well as within Asia. As a result, we guarantee, amongst other things, next-day delivery for shipments sent from Japan to all destinations in the United States. In the reporting year, we completed the conversion of 18 Airbus A300-600 passenger planes into cargo planes, a project that began in 2011. The aircraft are now part of our regional fleets and are used mainly in Europe.

International express business has increased

The international express business benefited in the reporting year, amongst other things, from the overall stabilisation of the economy, the increase in 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 market indicates that we maintained our position as global market leader.

Positive development in the Europe region

Despite modest economic momentum the express business in the Europe region witnessed positive development. We were clearly the leading provider in 2011. In order to meet growing volumes in the future, we began work at the end of 2013 to double the capacity of our global hub in Leipzig, Germany. With improved service quality, we intend to strengthen our position at this strategically important location.

Geared for growth in the Americas

Given the economy's solid performance, our express business in the region was also successful in the reporting year, as illustrated on page 66.

In the summer of 2013 we opened our expanded hub in Cincinnati, and, with a total investment of US$105 million, we are thus prepared for future growth, particularly in the small and medium-sized customer segment. We have also invested in Latin America, especially in Mexico and Brazil, the largest economies in the region.

Asia remains an important market

Asia remains an important and profitable market for us and it is expected that our leading position will have been further solidified there in the reporting year.

At our North Asia Hub in Shanghai, we are the first company in the region to be permitted to offer the sorting of international transit shipments, a service which we have provided since the fourth quarter of 2013. This not only expands our service but also improves the utilisation of the hub.

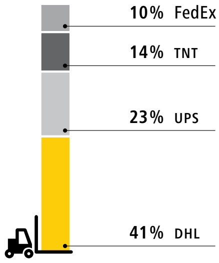
Reliable partner in the Middle East

Business in the Middle East remained particularly difficult in the reporting year, given the political unrest in Afghanistan, Yemen, Bahrain, Libya and Syria. Whilst adhering to legal requirements and ensuring the safety of our employees, we maintained our operations and therefore proved ourselves a reliable partner to our customers.

We are continuing to strengthen our presence in the Middle East through investments in Egypt, Saudi Arabia and Dubai, where we began construction of a logistics centre in the first quarter of 2013. The facility covering roughly 17,000 m² located near Dubai is intended to improve services for customers who import and export goods into and out of the United Arab Emirates. Together with our partner, MGE Middle East General Enterprise L.L.C., we shall invest around €20 million in the location and thus further expand our leading position in the area.

A.08 European international express market, 2011[1,2,3]: top 4

Market volume: €6,813 million

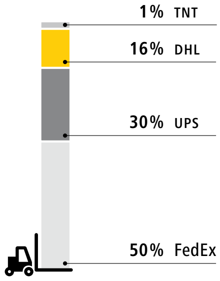


[1] Includes the TDI express product.
[2] Country base: AT, BE, CH, CZ, DE, DK, ES, FR, IL, IT, NL, NO, PL, RU, SE, TR, UK.
[3] Latest available market study.

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

A.09 The Americas international express market, 2011[1,2,3]: top 4

Market volume: €7,352 million

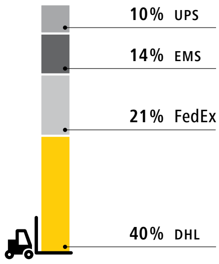


[1] Includes the TDI express product.
[2] Country base: AR, BR, CA, CL, CO, CR, MX, PA, VE, US.
[3] Latest available market study.

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

A.10 Asia Pacific international express market, 2011[1,2,3]: top 4

Market volume: €7,487 million



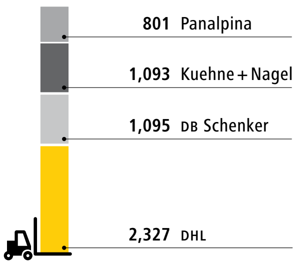
[1] Includes the TDI express product.
[2] Country base: AU, CN, HK, ID, IN, JP, KR, MY, NZ, SG, TH, TW, VN.
[3] Latest available market study.

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

GLOBAL FORWARDING, FREIGHT DIVISION

A.11 Air freight market, 2012: top 4

Thousand tonnes[1]

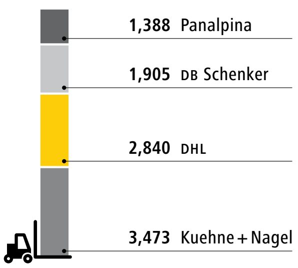


[1] Data based solely on export freight tonnes.

Source: annual reports, publications and company estimates.

A.12 Ocean freight market, 2012: top 4

Thousand TEUs[1]

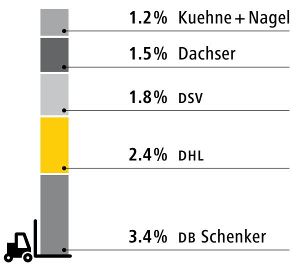


[1] Twenty-foot equivalent units.

Source: annual reports, publications and company estimates.

A.13 European road transport market, 2012: top 5

Market volume: €174 billion[1,2]



[1] Country base: total for 19 European countries, excluding bulk and specialities transport.
[2] 2011 and 2012 figures have been adjusted with respect to the MI study 2012 using current price information.

Source: MI Study DHL 2013 (based on Eurostat, financial publications, IHS Global Insight).

The air, ocean and road freight forwarder

The Global Forwarding and Freight business units are responsible within the Group for air, ocean and road 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 very asset-light, as it is based on the brokerage of transport services between our customers and freight carriers. This allows us to consolidate shipments and purchase cargo space at better conditions. Our global presence ensures network optimisation and the ability to meet the increasing demand for efficient routing and multimodal transports.

The leader in a stagnating air freight market

The air freight market stagnated in 2013 despite a slight volume increase in the second half of the year compared with the first half. According to IATA, the global airline industry association, worldwide freight tonne kilometres flown during the reporting year increased only slightly by 1.4%. Capacities remained largely stable, whereby the airlines shifted them from cargo planes to wide-body passenger planes as in the prior year. Freight volumes were lower overall due to the decline in output in some industry sectors. Moreover, customers throughout the industry increasingly chose other transport modes. After transporting 2.3 million export freight tonnes in the previous year, we remained the air freight market leader in 2013.

Ocean freight market experiences surplus capacities and weak demand

Although demand in the ocean freight market remained comparatively weak, carriers still increased their capacities in the second half of 2013. Ocean carriers are responding to supply and demand by putting new vessels into operation, limiting the capacity on offer and adjusting travel speed. The actual freight rates on key trade lanes remained volatile. Trade on the traditional lanes between Asia and Europe was softer than expected, whilst north-south trade increased slightly. After transporting 2.84 million twenty-foot equivalent units in the previous year, we remained the second-largest provider of ocean freight services in 2013.

Growth remains slow in European road freight market

In the European road freight market, growth remained slow at an estimated –1% to 1% (previous year: 0% to 2%). The primary reasons for this were the macroeconomic environment in Europe and intense competition in this sector. Nevertheless, DHL's Freight business unit was able to maintain its market share.

SUPPLY CHAIN DIVISION

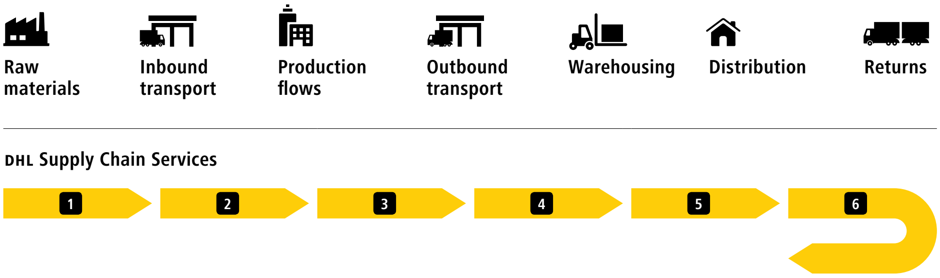
Customer-centric outsourcing solutions in two business units

In our SUPPLY CHAIN division, DHL provides warehousing, managed transport and value-added services at every link in the supply chain for customers in a variety of industries. We also offer solutions for corporate information and communications management tailored precisely to the needs of our customers. The division comprises the two business units of Supply Chain and Williams Lea.

Integrated end-to-end offering in contract logistics

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

A.14 Logistics and value-added services along the entire supply chain



1 Plan – Laying the foundation for a supply chain
2 Source – Getting the materials at the time required
3 Make – Supporting product manufacturing
4 Store & Customise – Getting it ready to sell
5 Deliver – Getting it where it needs to be
6 Return – Bringing it back when it's not needed

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

Our business mainly provides expert solutions in six focus sectors: Consumer, Retail, Technology, Life Sciences & Healthcare, Automotive and Energy. We manage the supply chains all the way from the source of supply to the end customer. Flexibility, reliability and cost efficiency are the key value drivers of our services, which range from international inbound logistics and warehouse and transport services to packaging and other value-added services.

Glossary, page 218

Customers in the Technology sector require fast, flexible and efficient supply chains. In addition, demand for integrated product and service logistics is increasing. Our portfolio ranges from inbound-to-manufacturing services and warehouse and transport services to integrated packaging solutions, returns management and technical services. For a leading manufacturer of printers and multifunctional systems, we handle the

Glossary, page 218

configuration and technical adjustment of the devices in addition to managing and operating the regional distribution centre in the Europe, Middle East and Africa region. The result of this integrated solution was a 26% cost reduction per unit within 18 months.

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

Glossary, page 218

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

Glossary, page 218

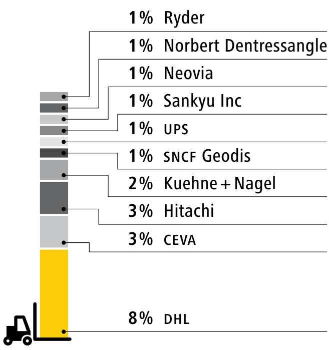
In the fast-growing Energy sector, DHL provides integrated logistics solutions from procurement to disposal. Our maintenance, repair and operation services offer streamlined supply chain and service solutions that can often substantially reduce costs whilst significantly increasing maintenance productivity.

A variety of outsourcing solutions for companies

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

A.15 Contract logistics market, 2012: top 10

Market volume: €159 billion



Source: Transport Intelligence; figures estimated except for DHL, CEVA, Kuehne + Nagel, Norbert Dentressangle, Ryder and SNCF Geodis; exchange rates: as at June 2013.

Global market leader in contract logistics

DHL remains the global market leader in contract logistics, with a market share of 8.2% (2012). This market is highly fragmented: the top ten players only account for around 22% of the overall market, the size of which is estimated to be €159 billion. We lead the market in our key regions of North America, Europe and Asia Pacific and also enjoy a very strong position in rapidly growing markets such as Brazil, India, China and Mexico. Thanks to our global expertise and many years of business relationships with multinational corporations, we are confident that we shall be able to expand further in these markets.

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

Objectives and strategies

CORPORATE STRATEGY

Strategy 2015 – our Group-wide framework

In 2009, we introduced our Strategy 2015, which represents the Group-wide framework for our vision, mission, values and objectives. Our guiding principle is to remain the postal service for Germany and to become the logistics company for the world. The mission associated with this principle reflects our values and customer promise, namely:

We want to make our customers, employees and investors more successful, we always show respect, without compromising on results; we make our customers' lives easier and we want to be a part of making our world a better place in which to live. To this end, our strategy pursues three key objectives: we want to become the provider of choice for customers, the employer of choice for our staff and prospective employees and an attractive investment for shareholders. Our progress is routinely measured using indicators relevant for internal management.

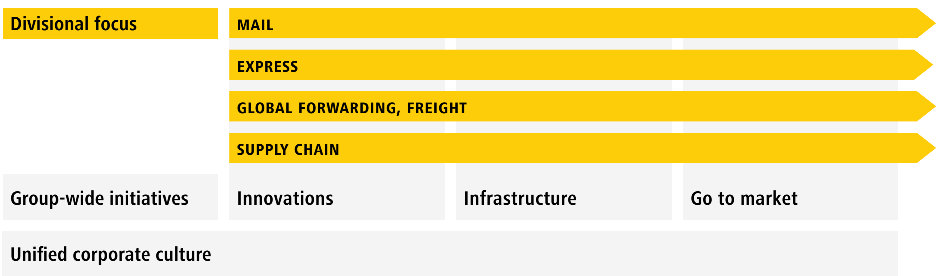
Group management, page 36 f.

In the reporting year, significant progress was again made on a Group-wide basis. This is reflected, for example, in customer satisfaction rates, the results of our annual employee opinion survey as well as the development of key financial figures such as EBIT, EAC and operating cash flow. Our ranking in "Fortune World's most admired companies 2013" also reflects how satisfied customers and employees are with Deutsche Post DHL: we come out top in our industry.

Customers and quality, page 83 ff.
Employees, page 74
Results of operations, page 48 ff.

In 2014 we shall focus primarily on increasing profitability and generating cash.

A.16 Strategic approaches



Group-wide initiatives complement business strategies

Our divisional business strategies are supplemented by Group-wide strategic initiatives which we use as levers to help us achieve our goals. One example is DHL Customer Solutions & Innovation (CSI). In the reporting year, this unit strengthened our sector management and, in conjunction with our customers, developed sector-specific products and services.

Our First Choice management approach helps us to continuously improve internal processes. Group-wide, over 30,000 employees have now been certified in this methodology.

STRATEGY AND GOALS OF THE DIVISIONS

Strategic priorities of the divisions

The priorities of the operating divisions are anchored in the divisional business strategies. Here, too, our focus is on strengthening our profitability.

A.17 Strategic priorities by division

MAIL	Sustainably stabilise EBIT through improved efficiency and investments in the growing parcel business	MAIL AND PARCEL STRATEGY
EXPRESS	Growing continuously with the TDI product and improving service, whilst optimally utilising the network and increasing yield	FOCUS
GLOBAL FORWARDING, FREIGHT	Introducing a forward-looking operating model and growing sustainably in the difficult market environment	GOOD TO GREAT
SUPPLY CHAIN	Growing profitably using expertise in outsourcing and emerging markets	GROWTH THROUGH EXCELLENCE

MAIL division

The following strategic approaches are how we aim to meet the business challenges of today and tomorrow.

Making costs more flexible: 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 growth areas. Furthermore, we want to further increase the quality of our products, whilst protecting the environment in the process. For example, we commissioned the development of an electric delivery vehicle that precisely meets the needs of our delivery staff whilst improving our carbon footprint and reducing operating costs. Our Parcel 2012 Production Concept has made our sorting and transport more efficient and thereby lowered costs.

Providing the highest quality to our customers: We want to offer our customers the best service at all times, at the highest level of quality and at reasonable prices. To this end, we are modernising the sorting equipment and IT architecture in our mail network on an ongoing basis. We are also investing in our parcel network and adapting it to increasing volumes on an ongoing basis. Our goal is also to deliver 95% of all items sent in Germany to customers the next day. Moreover, we are constantly offering more services to parcel recipients, for example, package notification, shipment status and preferred location. Proximity to our customers is important to us, which is why we operate by far the largest network of fixed-location retail outlets in Germany. We are also expanding our successful co-operation with retailers, particularly by way of our Paketshops.

Motivating our workforce: The key to high quality and high performance is happy and dedicated employees. That’s why we equip our workforce with state-of-the-art tools, provide mail carriers with e-bikes and e-trikes, offer counselling on health issues and, at some locations, make childcare available. The most recent collective agreement included another noticeable wage increase, raising our levels even higher above the competition.

Tapping into new online and offline markets: We are taking advantage of our expertise in physical communications to offer competent digital communications. The internet is already strongly facilitating customer access to our services, allowing them to calculate and purchase postage and also locate retail outlets and Packstations online and by mobile telephone. We are also investing in future growth areas in all our businesses: beyond our E-Postbrief product, we are active in the growing industry of online advertising. We operate Europe's largest platform for targeting (online advertising space marketing), provide the largest online German marketplace for journalistic content and are the first parcel delivery service in Germany to operate its own shopping portal. By acquiring Allyouneed.com we have established an online supermarket, where together with retail customers we are trialing same-day food delivery. At MeinPaket.de we offer one of the largest online marketplaces in Germany. We have taken our expertise in transport and network management into the deregulated coach market with the ADAC Postbus. In 2014, we shall operate additional lines, and in the future we intend to offer this service nationwide in Germany.

Glossary, page 218

EXPRESS division

As part of our strategic programme FOCUS, we have expanded our business and increased our market share in recent years. In the reporting year, our attention was focused on strengthening our profitability.

Managing revenue and costs: Our return on sales rises when growing volumes lead to economies of scale in the network; when innovations 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.

Structuring sales and prices: Using global campaigns, we specifically target small and medium-sized businesses which could benefit the most from exporting. 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. We also work to continuously improve our customer approach. Our Insanely Customer Centric Culture initiative is intended to fix problems faster and meet customer expectations more effectively.

Customers and quality, page 84

Managing the network: Most of our costs are attributable to the air and ground network. We replace aeroplanes with newer, more efficient, and thus more cost-saving aircraft. We sell available cargo space to freight and forwarding companies, thus improving our network utilisation and reducing costs. On the ground, we are automating and standardising processes. For instance, vehicles are equipped by default with shelves and can be loaded directly from the conveyor belt. We also plan our pickup and delivery routes to maximise time and cost savings.

Motivating our employees: Our established Certified International Specialist (CIS) training programme ensures that all our employees have the requisite knowledge of the international express business at their disposal. Training is carried out by our own employees, including executives, for specific functions as well as on a cross-functional basis. This adds to mutual understanding whilst reinforcing a team atmosphere and loyalty within the division. The Certified International Manager (CIM) module is for managers and is intended to strengthen the unified leadership culture within the division. We want to sustainedly motivate our employees around the world. Systematic and continuous recognition of outstanding performance is one way of contributing to this.

GLOBAL FORWARDING, FREIGHT division

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

Developing new customer solutions: We are constantly developing new products and services to meet the needs of all of our customers. In the reporting year, we were the first company in our industry to introduce a tool that tracks the carbon footprint of shipments. Customers worldwide now receive a carbon footprint statement via our web-based Track & Trace service. Our Flexitank product now allows customers in all regions to efficiently transport large quantities of non-hazardous liquids. Shipments are dispatched in a standard container, which is simultaneously more economical and environmentally friendly. DHL Thermonet represents the launch of a global air freight service tailored to the Life Sciences & Healthcare sector. Customers in this sector can manage their temperature-sensitive shipments, such as pharmaceuticals and medical devices, using a transparent and regulatory-compliant platform.

Building up a comprehensive transport network: For a freight forwarding company of our proportions, it is essential we continuously expand and optimise our network and operations. We continue to focus our efforts in this area on the growth markets of Brazil, Russia, India, China and Mexico. In 2013, we expanded the largest trade lanes between Europe, the Middle East and Africa. We also established a new office in Myanmar/Burma, from which we can better tap into the trade between ASEAN countries. Furthermore, we expanded the intra-regional LCL lanes between the Americas – mainly Latin America – and Asia. To optimise our network, we introduced intermodal road-rail transport between Asia and Europe.

Glossary, page 218

Simplifying and standardising processes: Our strategic project New Forwarding Environment (NFE) made good progress in the reporting year. The aim is to develop a forward-looking operating model with efficient processes and state-of-the-art IT systems, which is intended to underpin our position as industry leader. Moreover, we shall be able to manage our processes better, standardise products and offer modular services. In future we intend to have a globally harmonised and unified organisation with dedicated customer service. Customers will benefit from shorter response times, products tailored to their needs and targeted communication. We are increasing the transparency and quality of data for sales volumes, customer figures, capacities, operations and freight. A test phase of this new operating model has been underway in New Zealand since the fourth quarter of 2013. We intend to roll the NFE project out throughout the entire Global Forwarding business unit over the next two years.

SUPPLY CHAIN division

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

Steadily improving existing business: We have established three programmes to continuously increase our performance, efficiency and competence. The first of these, known as Operations Excellence, promotes operational and technical standards aimed at guaranteeing the sustainability of our performance. We also apply the proven First Choice methodology to sustain the achievements we have realised and improve on them even further. Our Cost Leadership initiative is intended to significantly reduce costs and manage them effectively in order to increase our overall profitability. We achieve this by leveraging purchasing efficiency, operational discipline and best practices. As a result, we succeeded in further reducing our direct costs in 2013. Our Organisational Capability programme develops leadership qualities and enhances employee commitment. We want to attract new talent and retain and develop our existing talent. To this end, we have launched a top talent management programme.

Corporate strategy, page 31

Growing profitably in focus sectors: We have established three programmes to further our growth. In the Sector Focus programme, we are deepening our expertise on an ongoing basis throughout our six focus sectors. Dedicated global sector teams offer our customers comprehensive sector-specific solutions along the entire supply chain and ensure an exchange of knowledge on best practices across regions and business units. In our Strategic Products Replication programme, we develop and reproduce logistics solutions aimed at simplifying customers' business processes. In doing so, we apply our proven standards and practices. One example is our Technical Services, which are processes integrated into the respective supply chain solutions and which we use to shorten repair cycles and thus notably reduce our technology customers' warehouse and transport costs. Thus far, in addition to Technical Services, we have replicated the following strategic products worldwide: Airline Business Solutions, E-Fulfilment, Environmental Solutions, Lead Logistics Provider, Life Sciences & Healthcare Platform, Maintenance, Repair & Operations and Packaging Services. With our Sales Effectiveness programme, we are increasing the performance of our sales organisation by bolstering sales and customer support, learning to better understand our customers' business objectives and inquiring regularly as to their satisfaction.

Business units and market positions, page 29 f.

Group management

FINANCIAL PERFORMANCE INDICATORS

Impact on management salaries

Deutsche Post DHL 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 data from the prior year as well as the data indicated in the plan to assist in making management decisions. The year-to-year changes in financial and non-financial performance metrics portrayed here are also relevant for calculating management remuneration.

The Group's financial performance indicators are intended to preserve a balance between profitability, efficient use of resources and sufficient liquidity. The performance of these indicators in the reporting year is described in the Report on economic position.

Page 43 ff.

Profit from operating activities measures earnings power

The profitability of the Group's divisions is measured using profit from operating activities (EBIT). EBIT is calculated by taking revenue and other operating income and subtracting materials expense and staff costs, depreciation, amortisation and impairment losses and other operating expenses. Interest and other finance costs/other financial income are deducted from or added to net financial income/net finance costs. To be able to compare divisions, the return on sales is calculated as the ratio of EBIT to revenue.

A.18 EBIT calculation

Revenue
+ Other operating income
− Materials expense
− Staff costs
− Depreciation, amortisation and impairment losses
− Other operating expenses
= Profit from operating activities (EBIT)

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 a cost of capital component, or asset charge, from EBIT. Making the asset charge a part of business decisions encourages all divisions to use resources efficiently and ensures that the operating business is geared towards increasing value sustainably whilst generating cash flow.

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

A.19 EAC calculation

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

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

A.20 Net asset base calculation

Operating assets • Intangible assets • Property, plant and equipment • Goodwill • Trade receivables (part of net working capital) • Other non-recurring operating assets
− Operating liabilities • Operating provisions (without provisions for pensions and similar obligations) • Trade payables (part of net working capital) • Other non-recurring operating liabilities
= Net asset base

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

A standard WACC of 8.5% is applied across the divisions, and this figure also represents the minimum target for projects and investments within the Group. The WACC is generally reviewed once annually using 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 years, the EAC was maintained at a constant level in 2013, as in the previous year.

Preserving sufficient liquidity

In the reporting year, cash flow was used as an additional financial performance indicator for calculating management remuneration. This 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. Along with EBIT and EAC, operating cash flow (OCF) is the main performance and incentive metric used by Group management. OCF includes items that are directly related to operating value creation. It is calculated by adjusting EBIT for changes in fixed assets (depreciation, write-ups, gains and losses from disposals), other non-cash income and expense, taxes paid, changes in provisions and other non-current assets and liabilities. Net working capital remains as a driver of OCF. Effective management of net working capital is an important way for the Group to leverage OCF in the short to medium term.

A.21 Calculation of operating cash flow

Consolidated net profit for the period attributable to shareholders and non-controlling interests
± Income taxes
± Net financial income/net finance costs
± Net income from associates
EBIT (profit from operating activities)
± Depreciation, amortisation and (reversals of) impairment losses on non-current assets
± 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
± Income taxes paid
= **Net cash from operating activities before changes in working capital (net working capital)**
± Changes in net working capital
= **Net cash from/used in operating activities (operating cash flow – OCF)**

NON-FINANCIAL PERFORMANCE INDICATOR

Employee opinion survey result as a management indicator

Our annual, Group-wide employee opinion survey measures how successful we have been in approaching our goal of becoming the employer of choice for our staff. Furthermore, the "Active Leadership" indicator in particular is a key management tool that is used in the calculation of variable salary components for our executives. This indicator reflects employees' assessments of leadership competencies of their direct superiors, such as how they respond to employee expectations or how they motivate their staff. The results of the employee survey for the reporting year can be found in the Employees section.

Page 74

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 2013, the company's share capital totalled €1,209,015,874 and was composed of the same number of no-par value registered shares. Each share carries the same statutory rights and obligations and entitles the holder to one vote at the Annual General Meeting (AGM). No individual shareholder or group of shareholders is entitled to special rights, particularly rights granting powers of control.

The exercise of voting rights and the transfer of shares are based on the general legal requirements and the company's Articles of Association, which do not restrict either of these activities. Article 19 of the Articles of Association sets out the requirements that must be met in order to attend the AGM as a shareholder and exercise a voting right. Only persons entered in the share register shall be 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 each invest cash or Deutsche Post AG shares for each tranche of the plan. If a Board of Management member sells the shares included in their personal investment for the tranche or disposes of their personal cash investment before the scheduled waiting period of four years has expired, all SARs from that tranche will be forfeited.

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

Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, is our largest shareholder, holding around 21.0% of the share capital. The Federal Republic of Germany holds an indirect stake in Deutsche Post AG via KfW. According to the notifications we have received pursuant to sections 21 et seq. of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), KfW and the Federal Republic of Germany are the only shareholders that own more than 10% of the share capital, either directly or indirectly.

Appointment and replacement of members of the Board of Management

The members of the Board of Management are appointed and replaced in accordance with the relevant legal provisions (sections 84 and 85 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and section 31 of the *Mitbestimmungsgesetz* (MitbestG – German Co-determination Act)). In accordance with section 84 of the AktG and section 31 of the MitbestG, appointments by the Supervisory Board shall be for a maximum term of five years. Re-appointment or extension of the term of office is permitted for a maximum of five years in each case. Article 6 of the Articles of Association stipulates that the Board of Management must have at least two members. Beyond that, the number of board members is determined by the Supervisory Board, which may also appoint a chairman and deputy chairman of the Board of Management.

Amendments to the Articles of Association

In accordance with section 119 (1), number 5 and section 179 (1), sentence 1 of the AktG, amendments to the Articles of Association are adopted by resolution of the AGM. In accordance with article 21 (2) of the Articles of Association in conjunction with sections 179 (2) and 133 (1) of the AktG, such amendments generally require a simple majority of the votes cast and a simple majority of the share capital represented on the date of the resolution. In such instances where the law requires a greater majority for amendments to the Articles of Association, that majority is decisive. Under article 14 (7) of the Articles of Association, the Supervisory Board has the authority to resolve amendments to the Articles of Association in cases where the amendments affect only the wording.

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 240 million 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 €240 million (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. To date, the Board of Management has not exercised this authority.

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 until 24 May 2016, thereby granting options or conversion rights for up to 75 million shares having a total share in the share capital not to exceed €75 million. The aforementioned authorisation was utilised in the full amount in December 2012 by issuing a convertible bond in the aggregate principal amount of €1 billion.

No shares were issued to the bond holders in financial year 2013. As at 31 December 2013, the share capital was still increased on a contingent basis by up to €75 million in order to grant 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 for the purpose of settling the entitlements related to the options or rights or fulfilling the conversion obligations (Contingent Capital 2011, article 5 (3) of the Articles of Association).

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 until 28 May 2018, thereby granting options or conversion rights for up to 75 million shares with a total share in the share capital not exceeding €75 million. The bond conditions may also stipulate 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 (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.

Finally, the AGM of 28 April 2010 authorised the company to buy back shares on or before 27 April 2015 up to an amount not to exceed 10% of the share capital existing as at the date of the resolution. Such authorisation is subject to the proviso that at no time should the shares thus acquired, together with the shares already held by the company, account for more than 10% of the share capital. The shares may be purchased through the stock market, a public offer, a public call for offers of sale from the company's shareholders or by some other means in accordance with section 53a of the AktG. The authorisation permits the Board of Management to exercise it for every purpose permissible under the law, particularly to redeem the purchased treasury shares without a further AGM resolution, subject to the consent of the Supervisory Board. Details may be found in the motion adopted by the AGM under agenda item 6 of the AGM of 28 April 2010.

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

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

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. The authorisation to use shares for the purpose of listing on a foreign stock exchange is intended to enable the company to expand its shareholder base to foreign countries in line with its global orientation.

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

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

Deutsche Post AG took out a syndicated credit facility with a volume of €2 billion from a consortium of banks. If a change of 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 request repayment. The terms and conditions of the bond issued under the Debt Issuance Programme established in March 2012 and of the convertible bond issued in December 2012 also contain change of control clauses. In case of a change of control within the meaning of the terms and conditions, 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 on which fuel in the value of a high double-digit million amount was obtained in the reporting year and which, in case of a change of control, grants the supplier the right to bring the business relationship to a close without notice.

In the event of a change of 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 of 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). 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 of control, the Board of Management member is entitled to payment to compensate the remaining term of their Board of Management contract. Such payment is limited to the cap pursuant to the recommendation of section 4.2.3 of the German Corporate Governance Code as amended on 13 May 2013, with the specification outlined in the remuneration report. With respect to options from the Long-Term Incentive Plan, the Board of Management member will be treated as if the waiting period for all options had already expired upon cessation of the Board of Management contract. The options eligible for exercise may then be exercised within six months of cessation of the contract. With regard to the

Share Matching Scheme for executives, the holding period for the shares will become invalid with immediate effect in the event of a change of control of the company. In any 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

Corporate Governance, page 123 ff.

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.

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 and operating cash flow increase

Whilst revenue declined slightly, Deutsche Post DHL increased profit from operating activities by 7.4% in financial year 2013, due to improved margins. Also, strong continued growth in the parcel business in Germany resulted in MAIL division earnings at the upper end of our forecast. Performance in the DHL divisions was impeded by major currency effects. Although revenue was lower, the EXPRESS and SUPPLY CHAIN divisions were able to increase earnings through strict cost management. Operating cash flow also saw an encouraging rise, increasing to around €3 billion. Therefore, in the opinion of the Board of Management, the Group's financial position remains good.

Forecast/actual comparison

A.22 **Forecast/actual comparison**

Targets 2013	Results 2013	Targets 2014
EBIT Group: €2.7 billion to €2.95 billion[1]. MAIL division: €1.1 billion to €1.2 billion[1]. DHL divisions: €2.0 billion to €2.15 billion. Corporate Center/Other: around €–0.4 billion.	**EBIT** Group: €2.86 billion. MAIL division: €1.23 billion. DHL divisions: €2.06 billion. Corporate Center/Other: €–0.42 billion.	**EBIT** Group: €2.9 billion to €3.1 billion. MAIL division: around €1.2 billion. DHL divisions: €2.1 billion to €2.3 billion. Corporate Center/Other: better than €–0.4 billion.
	EAC €1,499 million (previous year: €1,331 million)[3].	**EAC** Will continue to develop positively and increase slightly.
Operating cash flow Operating cash flow will recover from the one-time charges in 2012 and benefit from the expected earnings improvement.	**Operating cash flow** Net cash from operating activities: €2,994 million (previous year: cash outflow of €203 million).	**Operating cash flow** Will continue to develop positively and increase slightly.
Capital expenditure (capex) Increase investments from €1.70 billion (2012) to a maximum of €1.8 billion[2].	**Capital expenditure (capex)** Invested: €1.76 billion.	**Capital expenditure (capex)** Increase investments to around €1.9 billion.
Dividend distribution Pay out 40% to 60% of the net profit as dividend.	**Dividend distribution** Proposal: pay out 48.9% of adjusted net profit as dividend.	**Dividend distribution** Pay out 40% to 60% of the net profit as dividend.
	Employee opinion survey[4] Key performance indicator "Active Leadership" achieves an approval rating of 70%.	**Employee opinion survey**[4] Increase approval rating of key performance indicator "Active Leadership" to 71%.

[1] Forecast increased over the course of the year.
[2] Forecast narrowed over the course of the year.
[3] Prior-year amounts adjusted due to a revised calculation basis.
[4] Explanation Group management, page 37.

Economic parameters

Global economy witnesses very cautious growth

The global economy witnessed very cautious growth in 2013. Growth rates lagged behind the prior-year figures, which were already only marginal, in the industrial countries as well as the emerging markets. This was a consequence of a weak phase at the very start of the year. Although the economy then proceeded to recover – quite significantly in some industrial countries – overall global economic output grew by just 3.0% in 2013 after adjustment for purchasing power (previous year: 3.1%). Global trade increased slightly with a rise of nearly 3% (IMF: 2.7%; OECD: 3.0%).

A.23 Global economy: growth indicators in 2013

%	Gross domestic product (GDP)	Exports	Domestic demand
China	7.7	7.9	n/a
Japan	1.7	1.6	1.7
USA	1.9	2.8	1.7
Euro zone	–0.4	1.6	–0.9
Germany	0.4	0.6	0.7

Data partially estimated, as at 5 February 2014.
Sources: Postbank, national statistics.

Asian countries again generated the highest economic momentum, with gross domestic product (GDP) increasing by 6.5% (previous year: 6.4%). In China, rising demand in individual industrial countries led to an increase in exports. The government also continued its efforts to boost domestic demand. Total GDP growth remained on a par with the prior year at 7.7% (previous year: 7.7%). The Japanese economy grew sharply in the first half of the year as a result of expansive monetary and fiscal policies. These effects waned as the year progressed and the upturn abated somewhat. Growth in private consumption and government spending as well as rising investments led to significant growth in domestic demand. Exports were up slightly overall on an annual average. Despite the strong upward trend, GDP only increased by 1.7% due to the low initial base (previous year: 1.4%).

The US economy suffered from government budget cuts and tax increases at the start of the year. From spring onwards, however, growth picked up markedly. Along with an increase in private consumption, growth was also driven by gross fixed capital formation and housing construction. Foreign trade did not impair growth, but the negative impact resulting from a significant decline in government spending was notable. GDP increased by 1.9% (previous year: 2.8%).

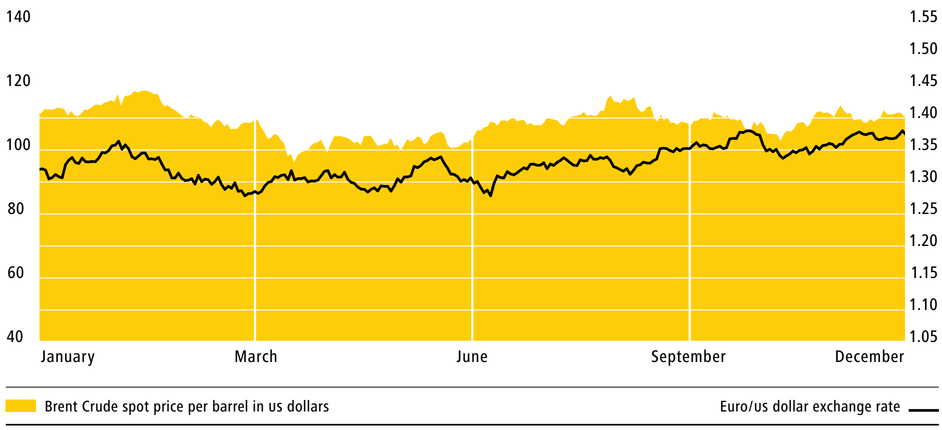
In the euro zone, economic output was down by 0.4% in the reporting year (previous year: –0.7%). At the beginning of the year, economic output continued to suffer from the sovereign debt crisis. The consolidation measures put into effect in some countries slowed not only government spending but also private consumption, which decreased by 0.6% on average for the year as unemployment rates proved to be exceptionally high. Gross fixed capital formation declined by 3.5% and domestic demand by 0.9%. The moderate expansion in foreign trade acted to slow the decrease in GDP by 0.5 percentage points. Nonetheless, the economy improved over the course of the year. Growth rates began rising again in the second quarter, a development that extended to nearly all of the countries in crisis as the year progressed.

Following a weak start, the German economy was rejuvenated over the course of 2013 with GDP increasing by 0.4% (previous year: 0.7%). Foreign trade proved to be a detrimental factor. Demand from the euro zone was weak and exports to other regions only moderate. Exports therefore grew by just 0.6% (previous year: 3.2%), whereas growth in imports was more than twice that figure. Gross fixed capital formation declined by 0.8% on average for the year (previous year: –2.1%). Growth was boosted by private consumption, which rose by 0.9% (previous year: 0.8%). The German labour market remained largely stable. The average annual number of employed workers increased to 41.8 million (previous year: 41.6 million).

Crude oil prices fall slightly

At the end of 2013, a barrel of Brent Crude was US$110.20 (previous year: US$111.48). The annual average price of oil was just under US$109, a decrease of approximately 3% on the prior year. Over the course of the year the price of oil fluctuated between US$96 and US$119. In the first half, the weak global economy had a negative impact on demand and led to decreasing price levels. In addition, countries not belonging to the Organisation of Petroleum Exporting Countries (OPEC) – above all the USA – steadily increased production, which likewise depressed price quotations. This was followed by a revival in oil prices due to improved growth prospects.

A.24 Brent Crude spot price and euro/US dollar exchange rate in 2013



Euro receives boost from more stable economy

The weak economy and the sharply declining rate of inflation in the euro zone induced the European Central Bank (ECB) to lower its key interest rate by 0.25 percentage points in both May and November to reach 0.25%. The ECB additionally announced that it would leave the key interest rate at the current level for some time or lower it even further. The US Federal Reserve maintained its very expansive monetary policy, stating that it did not intend to increase its key interest rate from the current 0% to 0.25% until the unemployment rate falls below 6.5% at the earliest. In December, however, the US Fed decided to slightly reduce the volume of purchases of government bonds and mortgage-backed securities in order to give the economy an additional boost.

At the start of 2013, the euro and US dollar exchange rates were still under the influence of the European sovereign debt crisis, which had widened to include Cyprus. This, in conjunction with the weak euro zone economy, resulted in a drop in the euro to its annual low of just under US$1.28 in March. Thanks to the gradually improving economy in the euro zone, fears that the sovereign debt crisis might re-intensify abated over the course of the year. The euro benefited from this with an increase of 4.2% to over US$1.37 by the end of the year. Measured against the pound sterling, the euro posted a 2.4% gain.

Moderate risk premiums for corporate bonds

The bond markets were dominated by the weak economy and the EMU sovereign debt crisis in the initial months of 2013. In May, the yield on ten-year German government bonds fell to an annual low of 1.17%. Despite the ECB's reductions in the key interest rate, capital market interest rates increased during the rest of the year to reach 1.93% by the end of 2013 (previous year: 1.32%). Like German bonds, yields on ten-year US government bonds also fell initially. However, they then increased sharply in light of the improving US economy and prospects of tapering bond buying by the US Federal Reserve. By the end of the year, bond yields had risen by 1.27 percentage points year-on-year to 3.03%. Risk premiums for corporate bonds fluctuated at a similarly moderate level during the reporting year.

International trade continues to grow in emerging markets

The global economy witnessed cautious growth in 2013. Trade volumes (transported quantity in tonnes) thus only increased by around 1.7% in the reporting year. The main consequence of the low demand for goods was a decline in European imports. Trade between emerging markets in the Asia Pacific, Latin America and Middle East/Africa regions continued to increase, however.

A.25 Trade volumes: compound annual growth rate 2012 to 2013

% Exports \ Imports	Asia Pacific	Europe	Latin America	MEA (Middle East/Africa)	North America
Asia Pacific	5.1	0.0	3.2	3.5	2.4
Europe	0.5	–1.3	0.5	0.8	–3.1
Latin America	9.4	–4.7	4.4	5.0	–3.9
MEA (Middle East/Africa)	3.9	–1.7	1.8	3.2	–7.9
North America	–1.6	0.6	3.0	0.7	0.5

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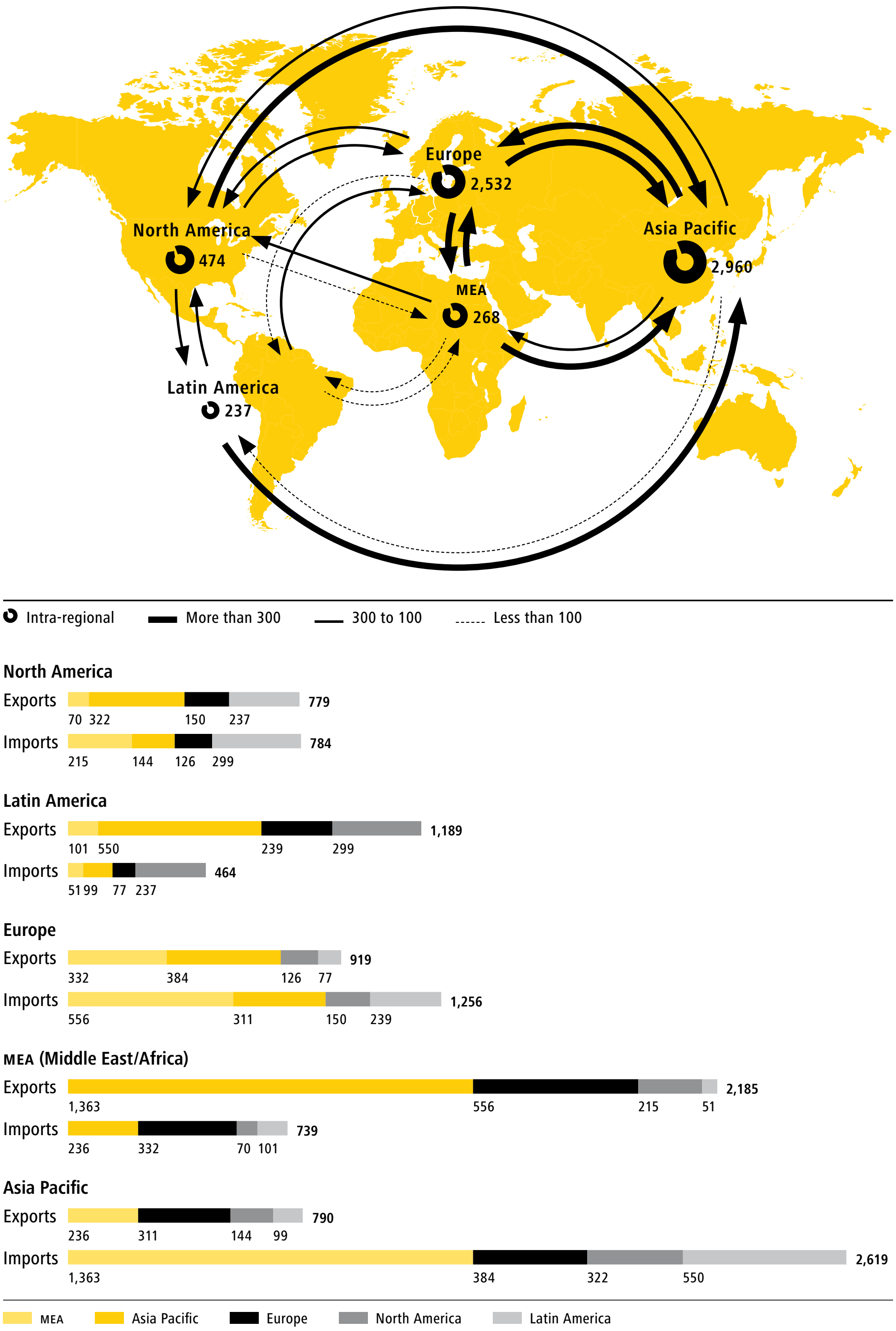
A.26 Major trade flows: 2013 volumes

Million tonnes



Legal environment

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

Note 53

Significant events

No significant events

There were no events with material effects on the Group's net assets, financial position and results of operations in financial year 2013.

Results of operations

A.27 Selected indicators for results of operations

		2012	2013
Revenue	€m	55,512	55,085
Profit from operating activities (EBIT)	€m	2,665	2,861
Return on sales[1]	%	4.8	5.2
Consolidated net profit for the period[2]	€m	1,640	2,091
Earnings per share[3]	€	1.36	1.73
Dividend per share	€	0.70	0.80[4]

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

Changes in portfolio and reporting

Note 4

The amendments to IAS 19 (Employee Benefits) have been required to be applied since 1 January 2013. This has in some cases significantly impacted the recognition of pension plans and partial retirement arrangements in the balance sheet and income statement. Detailed information can be found in the Notes. The prior-year amounts have been adjusted.

To improve the transparency of the balance sheet, we broke down the receivables and other current assets item on the assets side into trade receivables and other current assets. On the liabilities side, the capital reserves included in the other reserves item are now shown separately. The prior-year amounts have been adjusted.

We disposed of our domestic express business in Romania by selling our subsidiary Cargus International S.R.L. with effect from 31 March 2013. Since then, our focus there has been on international business.

In the SUPPLY CHAIN division, we sold our interests in DHL Fashion (France) SAS, US company Exel Direct Inc. and ITG GmbH, Germany, together with their subsidiaries in the second quarter. All of the companies' assets and liabilities had previously been reclassified as held for sale.

In the MAIL division, we acquired optivo GmbH, a leading German e-mail marketing services provider, on 28 June 2013. This acquisition enhances our range of services and will allow us to develop our business in this area.

We sold 50% of our shares in Deutsche Post Mobility GmbH to *Allgemeiner Deutscher Automobil-Club* (ADAC) in the second quarter. Since October 2013, we have jointly operated a coach network and have entered the deregulated coach market with the "ADAC Postbus".

We acquired RISER ID Services GmbH, the market leader in electronic address registration information services, at the end of July. The company complements the range of digital address verification services offered by the MAIL division.

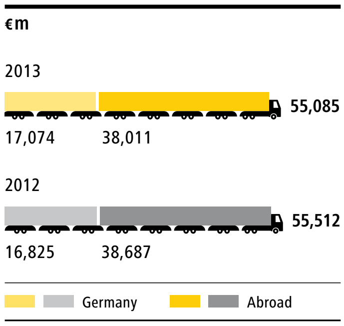
In the fourth quarter, we increased our interest in the UK company Tradeteam Limited from 50.1% to 100%.

Currency effects cause 0.8% decline in consolidated revenue

Consolidated revenue declined slightly by 0.8% to €55,085 million in financial year 2013 (previous year: €55,512 million). The proportion of consolidated revenue generated abroad declined from 69.7% to 69.0%, largely due to negative currency effects of €1,738 million. Changes in the portfolio reduced revenue by €287 million. At €14,494 million, revenue in the fourth quarter was down 0.6% year-on-year (previous year: €14,577 million). The figure was negatively impacted by currency effects of €607 million and changes in the portfolio.

Other operating income declined by €207 million to €1,961 million. In the previous year, provisions relating to the US express business that were no longer required had been reversed.

A.28 Consolidated revenue



Lower transport costs

Materials expense declined by €651 million to €31,212 million, due in particular to currency effects.

At €17,785 million, staff costs were on a level with the prior year (€17,770 million). Labour costs in the MAIL division and the higher number of employees in the SUPPLY CHAIN division caused staff costs to increase, whilst currency effects reduced this item.

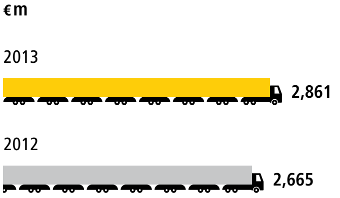
At €1,341 million, depreciation, amortisation and impairment losses also remained at the previous year's level (€1,339 million).

Other operating expenses declined by €196 million to €3,847 million. The prior-year figure had been pushed up by the additional VAT payment, amongst other factors.

A.29 Development of revenue, other operating income and operating expenses

	€m	%	
Revenue	55,085	−0.8	• Growth trends in the German parcel and international express businesses remain intact • Currency effects reduce consolidated revenue by €1,738 million
Other operating income	1,961	−9.5	• Previous year also included income from the reversal of provisions for the US express business
Materials expense	31,212	−2.0	• Declined due in particular to currency effects
Staff costs	17,785	0.1	• Increased number of staff, mostly in the SUPPLY CHAIN division • Higher labour costs in the MAIL division • Currency effects reduce staff costs
Depreciation, amortisation and impairment losses	1,341	0.1	• On a par with the previous year
Other operating expenses	3,847	−4.8	• Previous year also included the additional VAT payment

A.30 Consolidated EBIT



Consolidated EBIT improves by 7.4%

Profit from operating activities (EBIT) improved year-on-year, rising by 7.4% to €2,861 million. In the fourth quarter, it rose by 7.0% to €885 million.

Net finance costs improved from €456 million in the previous year to €289 million in the year under review. In 2012, the figure was impacted by the interest expense associated with the additional VAT payment, amongst other things, whereas the gain on the Postbank disposal made a positive contribution. Interest expenses for provisions for pensions and other provisions declined during the reporting year due to lower interest rates.

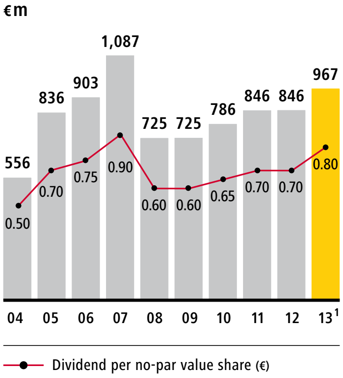
Profit before income taxes improved by 16.4% to €2,572 million.

At €361 million, income taxes were down €86 million on the prior-year figure, partly because we agreed in the context of a tax audit of outstanding issues from 2006 to 2008 to reverse a tax liability.

Net profit and earnings per share up considerably

Consolidated net profit for the period improved from €1,762 million to €2,211 million. Of this amount, €2,091 million is attributable to shareholders of Deutsche Post AG and €120 million to non-controlling interest holders. Basic and diluted earnings per share also increased, up from €1.36 to €1.73 and from €1.30 to €1.66, respectively.

A.31 Total dividend and dividend per no-par value share



[1] Proposal.

Dividend of €0.80 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 27 May 2014, the Board of Management and the Supervisory Board will therefore propose a dividend of €0.80 per share for financial year 2013 (previous year: €0.70) to shareholders. The distribution ratio based on the consolidated net profit for the period attributable to Deutsche Post AG shareholders amounts to 46.2%. The net dividend yield based on the year-end closing price of our shares is 3.0%. The dividend will be distributed on 28 May 2014 and is tax-free for shareholders resident in Germany.

EBIT after asset charge increases

EAC improved from €1,331 million to €1,499 million in 2013, due primarily to the improved profitability in the MAIL and EXPRESS divisions. The asset charge rose moderately by 2.1%, which was predominantly attributable to increased capital expenditures throughout the divisions.

A.32 EBIT after asset charge (EAC)

€m	2012 adjusted[1]	2013	+/– %
EBIT	2,665	2,861	7.4
Asset charge	–1,334	–1,362	–2.1
EAC	1,331	1,499	12.6

[1] Prior-year amounts adjusted due to a revised calculation basis.

In the reporting year, the net asset base saw a slight €106 million decline to €15,330 million. The changes in working capital resulting from good working capital management contributed to this decline. Although 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, they were unable to compensate for the decrease in intangible assets as a result of amortisation and impairment as well as exchange rate losses.

The decline in operating provisions is due to the utilisation of some of the provision for postage stamps, amongst other factors. In addition, the decrease in other non-current assets and liabilities contributed to the decline in the net asset base.

A.33 Net asset base (unconsolidated)

€m	31 Dec. 2012 adjusted[1]	31 Dec. 2013	+/– %
Intangible assets, property, plant and equipment, and goodwill	18,860	18,698	–0.9
+ Net working capital	–503	–675	34.2
– Operating provisions (excluding provisions for pensions and similar obligations)	–2,825	–2,633	–6.8
+ Other non-current assets and liabilities	–96	–60	–37.5
= **Net asset base**	**15,436**	**15,330**	**–0.7**

[1] Prior-year amounts adjusted due to a revised calculation basis.

Financial position

Financial management is a centralised function in the Group

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

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

Corporate Finance's main task is to minimise financial risk and the cost of capital, whilst preserving the Group's lasting financial stability and flexibility. In order to maintain its unrestricted access to the capital markets, the Group continues to aim for a credit rating appropriate to the sector. We therefore monitor 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 on the principles and aims of financial management. In addition to the interests of shareholders, the strategy also takes lender requirements into account. The goal is for the Group to maintain its financial flexibility and low cost of capital by ensuring a high degree of continuity and predictability for investors.

A key component of this strategy is a target rating of "BBB+", which is managed via a dynamic performance metric known as funds from operations to debt (FFO to debt). Our strategy additionally includes a sustained dividend policy and clear priorities regarding the use of excess liquidity, 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.

A.34 Finance strategy

Credit rating

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

Dividend policy

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

Excess liquidity

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

Debt portfolio

- Syndicated credit facility taken out as liquidity reserve.
- Debt Issuance Programme established for issuing bonds.
- Issue bonds to cover long-term capital requirements.

Investors

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

Group

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

[1] Weighted average cost of capital Group management, page 36.

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

A.35 FFO to debt

€m	2012[1]	2013
Operating cash flow before changes in working capital	219	3,078
+ Interest and dividends received	46	56
− Interest paid	296	166
+ Adjustment for operating leases	1,243	1,240
+ Adjustment for pensions	91	144
± Non-recurring income/expenses	2,671	73
= **Funds from operations (FFO)**	**3,974**	**4,425**
Reported financial liabilities	4,816	5,940
− Financial liabilities at fair value through profit or loss	117	40
+ Adjustment for operating leases	5,187	5,099
+ Adjustment for pensions	5,068	4,941
− Surplus cash and near-cash investments[2]	1,224	3,088
= **Debt**	**13,730**	**12,852**
FFO to debt (%)	**28.9**	**34.4**

[1] To improve comparability, the figures take the transition to the new IAS 19 standard into account.
[2] Surplus cash and near-cash investments are defined as cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

The "FFO to debt" dynamic performance metric rose significantly in the reporting year compared with the prior year due to the improvement in funds from operations and the decrease in debt.

Funds from operations increased by €451 million to a total of €4,425 million, primarily due to the increase in operating cash flow before changes in working capital. The prior-year figure had been negatively impacted by the one-time increase in the plan assets of German pension plans (€1,986 million) and portions of the additional VAT payment (€384 million). Since the related effects were non-recurring, they were recorded under non-recurring income/expenses, which in the previous year also included operating restructuring payments (€140 million) and the interest effects of the additional VAT payment (€161 million). In the reporting year, operating restructuring payments in the amount of €73 million were recognized as non-recurring income/expenses.

Debt declined by €878 million year-on-year to €12,852 million in financial year 2013. The decrease was mainly attributable to the good operating business trend, which led to a substantial rise in surplus cash and near-cash investments. The increase was also the result of bonds totalling €1 billion that we issued in October 2013 to refinance a bond which matured in January 2014. However, since reported financial liabilities also rose in the same amount, the bond issues had a neutral impact on debt. More information on the financial liabilities reported is contained in the Notes.

Note 46

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 arranged centrally by Corporate Treasury. In this context, we observe a balanced banking policy in order to remain independent of individual banks. Our subsidiaries' intra-group revenue is also pooled and managed by our in-house bank in order to avoid external bank charges and margins through intercompany clearing. Payment transactions are executed in accordance with uniform guidelines using standardised processes and IT systems. As part of the transition to SEPA, many Group companies pooled 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 additionally hedged using forward transactions, cross-currency swaps and options. We pass on most of the risk arising from commodity fluctuations to our customers and, to some extent, use commodity swaps to manage the remaining risk. The parameters, responsibilities and controls governing the use of derivatives are laid down in internal guidelines.

Flexible and stable financing

The Group covers its long-term financing requirements by maintaining a balanced ratio of equity to liabilities. This ensures our financial stability and also provides adequate flexibility. Our most important source of funds is net cash from operating activities.

In the reporting year, the five-year credit facility with a volume of €2 billion taken out with a consortium of national and international banks in 2010 was renewed early and extended until 2018 at more favourable terms. Two additional one-year extension options were also agreed upon. This credit facility guarantees us favourable market conditions and acts as a secure, long-term liquidity reserve. It does not contain any covenants concerning the Group's financial indicators. In view of our solid liquidity, the syndicated credit facility 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 to minimise the cost of capital.

In October 2013, we took advantage of the favourable capital market environment to issue two bonds with a volume of €0.5 billion each, in connection with our Debt Issuance Programme with a volume of up to €5 billion as established in 2012. The cash inflow received in the same month was used to repay a bond in the amount of €0.9 billion that matured in January 2014. Further information on the various bonds is contained in the Notes.

Note 46

Group issues sureties, letters of comfort and guarantees

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

Creditworthiness of the Group remains adequate

Credit ratings represent an independent and current assessment of a company's credit standing. Ratings are based on a quantitative analysis and measurement of the annual report and appropriate planning data. Qualitative factors, such as industry-specific features, and the company's market position and range of products and services, are also taken into account.

Moody's Investors Service has maintained the Group's credit rating of "Baa1" with a positive outlook. Fitch also confirmed its rating of "BBB+" with a stable outlook in the reporting year.

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

dpdhl.com/en/investors

A.36 Agency ratings

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

Liquidity and sources of funds

As at the balance sheet date, the Group had cash and cash equivalents in the amount of €3.4 billion (previous year: €2.4 billion) at its disposal. A large portion of this is accounted for by Deutsche Post AG. Most of the cash is invested centrally on the money market. These short-term money market investments had a volume of €2.0 billion as at the balance sheet date. Another €0.6 billion was invested in short-term money market funds.

The financial liabilities reported in our balance sheet breakdown as follows:

A.37 Financial liabilities

€m	2012	2013
Bonds	4,109	5,088
Due to banks	137	199
Finance lease liabilities	149	213
Liabilities to Group companies	93	83
Liabilities at fair value though profit or loss	117	40
Other	211	317
	4,816	5,940

The increase in financial liabilities is primarily the result of the two bonds that we issued in October 2013 in the amount of €0.5 billion each. Further information on recognised financial liabilities is contained in the Notes.

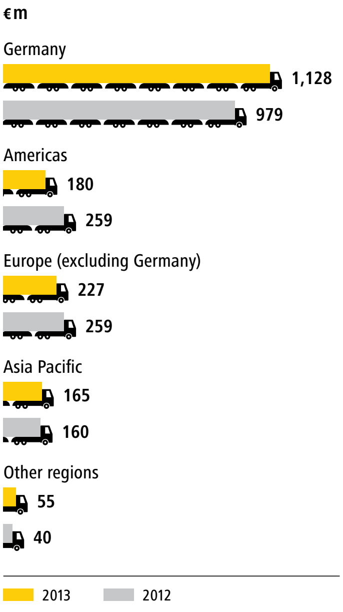
Note 46

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.

A.38 Operating lease liabilities by asset class

€m	2012	2013
Land and buildings	5,100	4,966
Aircraft	647	524
Technical equipment and machinery	65	67
Other equipment, operating and office equipment, transport equipment, miscellaneous	513	572
	6,325	6,129

A.39 Capex by region



Operating lease obligations decreased year-on-year to €6.1 billion because the reduction in the remaining terms of legacy agreements, especially for real estate and aircraft, is not matched by the same volume of new leases.

Capital expenditure slightly above prior-year level

As at the end of December 2013, the Group's capital expenditure (capex) amounted to €1,755 million, which represents a year-on-year increase of 3.4% (previous year: €1,697 million). Investments were made mainly to replace and expand assets. €1,511 million was invested in property, plant and equipment and €244 million in intangible assets excluding goodwill. Investments in property, plant and equipment related primarily to advance payments and assets under development (€640 million), transport equipment (€283 million), land and buildings (€214 million), technical equipment and machinery (€151 million), IT equipment (€112 million), operating and office equipment (€77 million) as well as aircraft (€34 million).

In regional terms, our focus remained on Europe, the Americas and Asia.

A.40 Capex and depreciation, amortisation and impairment losses, full year

	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Group	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Capex (€m)	332	434	597	508	150	129	300	277	318	407	1,697	1,755
Depreciation, amortisation and impairment losses (€m)	334	358	400	408	111	92	288	270	206	213	1,339	1,341
Ratio of capex to depreciation, amortisation and impairment losses	0.99	1.21	1.49	1.25	1.35	1.40	1.04	1.03	1.54	1.91	1.27	1.31

A.41 Capex and depreciation, amortisation and impairment losses, Q4

	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Group	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Capex (€m)	141	259	173	232	54	57	85	90	109	217	562	855
Depreciation, amortisation and impairment losses (€m)	87	108	100	94	28	23	75	65	59	58	349	348
Ratio of capex to depreciation, amortisation and impairment losses	1.62	2.40	1.73	2.47	1.93	2.48	1.13	1.38	1.85	3.74	1.61	2.46

MAIL expands parcel capacities

Capital expenditure in the MAIL division increased in the reporting year from €332 million to €434 million. The majority of investments (€189 million) was attributable to the Parcel 2012 Production Concept, which aims to adapt our network capacities to cater to increasing shipment volumes. With regard to E-POST, platform functionality was expanded. Furthermore, we maintained our production facilities and infrastructure, and equipped our mail and parcel operations with new hand scanners.

EXPRESS invests in markets with rising customer demand

In the EXPRESS division, capital expenditure amounted to €508 million in the reporting year, thus falling below the prior-year figure of €597 million, primarily because of considerable investment in our aircraft fleet in the previous year. In the reporting year, we increasingly focused our investments on the high-growth Asia Pacific and MEA (Middle East and Africa) regions in order to meet rising customer demand. Increased investments were also made in the Europe region.

GLOBAL FORWARDING, FREIGHT expands IT

In the GLOBAL FORWARDING, FREIGHT division, capital expenditure declined from €150 million in the prior year to €129 million in 2013. Of that figure, €103 million was attributable to the Global Forwarding business unit, where we improved our IT, particularly as part of the New Forwarding Environment project, and consolidated and modernised warehouses, mainly in the Asia Pacific and Europe regions. A total of €26 million was invested in the Freight business unit – the majority of the investments were made in real estate, office, operating and IT equipment as well as in software.

SUPPLY CHAIN supports new business

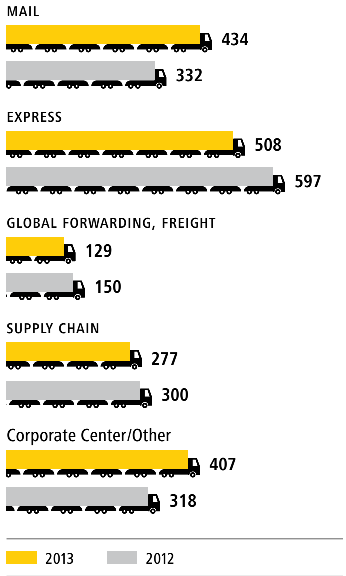
In the SUPPLY CHAIN division, capital expenditure amounted to €277 million in the reporting year (previous year: €300 million). Of this amount, €239 million related to the Supply Chain business unit, €19 million to Williams Lea and €19 million to central entities. Approximately 54% of the funds were used to support new business globally. In the Americas and Asia Pacific regions, investments focused primarily on the Consumer, Retail and Automotive sectors. In Europe, the majority of investments were made in the UK, the Benelux countries and Eastern Europe, in particular to support projects in Airline Business Solutions and the Technology sector. In the Williams Lea business unit, IT infrastructure was the main focus of our investments. The central entities invested in a global finance project.

Cross-divisional investments increase in fleet and real estate

Cross-divisional capital expenditure rose from €318 million in 2012 to €407 million in the reporting year, which was predominantly attributable to higher expenditures for real estate and vehicles. Investments in IT were below the high prior-year level.

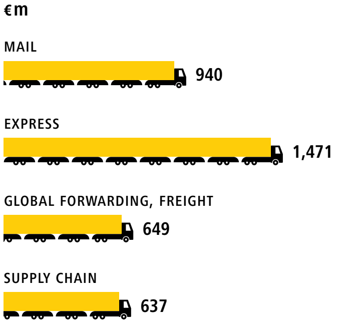
A.42 Capex by segment

€m



Objectives and strategies, page 34

A.43 Operating cash flow by division, 2013



Operating cash flow firmly in positive territory

Net cash from operating activities amounted to €2,994 million in 2013. By contrast, a net cash outflow of €203 million was generated in the previous year. This €3,197 million improvement is primarily due to reductions in provisions. In the previous year, we funded further pension obligations and covered the additional VAT payment. The figure was also pushed up by the improved EBIT and a lower figure for non-cash income and expenses. At €3,078 million, net cash from operating activities before changes in working capital also increased sharply compared with the previous year's figure (€219 million). Thanks to better working capital management, the cash outflow from changes in working capital declined from €422 million to €84 million. The change in liabilities and other items made a particularly significant contribution to this development.

A.44 Selected cash flow indicators

€m	2012	2013
Cash and cash equivalents as at 31 December	2,400	3,417
Change in cash and cash equivalents	−701	1,112
Net cash used in/from operating activities	−203	2,994
Net cash used in investing activities	−1,697	−1,772
Net cash from/used in financing activities	1,199	−110

Net cash used in investing activities rose by €75 million to €1,772 million. At €1,389 million, investments in property, plant and equipment and intangible assets were down €250 million year-on-year (previous year: €1,639 million); their main focuses are described in the capital expenditure section. Although some of the expenditures had been capitalised towards the end of the year, this cash was only paid after the balance sheet date. Cash flow from investing activities rose due to the cash outflow from the change in current financial assets in particular. At €575 million, the figure was up €565 million year-on-year, due in particular to the investment of short-term liquidity in money market funds. In contrast, cash paid to acquire other non-current financial assets was down €268 million on the prior year. In the previous year, the recognition of the demand for repayment of state aid reduced net cash used in investing activities by €298 million.

A.45 Calculation of free cash flow

€m	2012	2013	Q4 2012	Q4 2013
Net cash used in/from operating activities	**–203**	**2,994**	**–629**	**1,561**
Sale of property, plant and equipment and intangible assets	225	177	76	59
Acquisition of property, plant and equipment and intangible assets	–1,639	–1,389	–542	–460
Cash outflow arising from change in property, plant and equipment and intangible assets	**–1,414**	**–1,212**	**–466**	**–401**
Disposal of subsidiaries and other business units	39	32	–1	1
Acquisition of subsidiaries and other business units	–57	–37	–1	0
Cash outflow/inflow arising from acquisitions/divestitures	**–18**	**–5**	**–2**	**1**
Interest received	46	42	10	8
Interest paid	–296	–166	–26	–45
Net interest paid	**–250**	**–124**	**–16**	**–37**
Free cash flow	**–1,885**	**1,653**	**–1,113**	**1,124**

Free cash flow improved significantly year-on-year from €–1,885 million to €1,653 million. In the fourth quarter, it changed from €–1,113 million in the comparable prior-year period to €1,124 million.

Net cash used in financing activities amounted to €110 million in the year under review, compared with a net cash inflow of €1,199 million in the previous year. As in 2012, the dividend paid to our shareholders was the largest payment in this area, at €846 million. The cash inflow from the issuance of non-current financial liabilities declined by €2,166 million to €1,010 million, mainly because we issued new bonds and a convertible bond to fund our pension obligations in the previous year. In the reporting year, the issue of two bonds with a five-year and ten-year term resulted in a cash inflow of €495 million for each bond. Interest payments fell by €130 million to €166 million, primarily because interest of €161 million had been incurred in the previous year for the additional VAT payment.

Cash and cash equivalents rose from €2,400 million as at 31 December 2012 to €3,417 million, due to the changes in the cash flows from the individual areas of activity.

Net assets

A.46 Selected indicators for net assets

		2012	2013
Equity ratio[1]	%	27.3	28.3
Net debt	€m	1,952	1,481
Net interest cover		10.7	23.1
FFO to debt[2]	%	28.9	34.4

[1] Prior-year amount adjusted.
[2] Calculation Financial position, page 52.

Consolidated total assets increased

The Group's total assets amounted to €35,478 million as at 31 December 2013, €1,621 million higher than at 31 December 2012 (€33,857 million).

Non-current assets decreased by €202 million to €21,366 million. Intangible assets declined by €315 million to €11,836 million, mainly due to a reduction in goodwill resulting from currency effects. Property, plant and equipment rose by €151 million to €6,814 million. This increase is partly due to capital expenditure in connection with the development of the EXPRESS division's infrastructure in rapidly growing markets. Non-current financial assets increased by €85 million to €1,124 million, whilst other non-current assets were down €114 million to €184 million, due primarily to the decrease in pension assets resulting from actuarial losses. At €1,327 million, deferred tax assets were on a level with the previous year (€1,328 million).

Current assets were up by €1,823 million to €14,112 million and inventories by €81 million to €403 million. Current financial assets rose by €569 million to €821 million, largely because we invested excess funds in money market funds. Trade receivables rose slightly from €6,959 million to €7,040 million. At €2,221 million, other current assets were up €68 million on the figure as at 31 December 2012. We report on the €1,017 million rise in cash and cash equivalents to €3,417 million in detail in the section entitled financial position. Income tax assets increased by €41 million to €168 million.

Page 58 f.

At €9,857 million, equity attributable to Deutsche Post AG shareholders was €838 million higher than at 31 December 2012 (€9,019 million). Whilst consolidated net profit for the period made a positive contribution, the equity figure was reduced by the dividend paid to our shareholders and negative currency effects.

Current and non-current liabilities rose from €15,651 million to €16,970 million, also because trade payables increased by €401 million to €6,392 million. A bond in the amount of €926 million falling due in January 2014 was reclassified to current financial liabilities and we borrowed €1 billion in non-current financial liabilities on the capital market. Overall, financial liabilities increased by €1,124 million to €5,940 million. Current and non-current provisions decreased by €518 million from €8,978 million to €8,460 million, mainly because we utilised restructuring provisions. Income tax liabilities also decreased by €104 million to €430 million.

Net debt declines to €1,481 million

Our net debt declined from €1,952 million as at 31 December 2012 to €1,481 million at the reporting date. The prior-year figure was affected by the additional VAT payment (€482 million) and the amount demanded as repayment of state aid that is administered in a trust account (€298 million), amongst other things.

The equity ratio improved by one percentage point to 28.3%.

The dynamic gearing ratio is an indicator of internal financing capacity and expresses the average number of years a company would require to pay off its outstanding debt using the cash flow generated from operating activities. It amounted to 0.5 years in the year under review.

Net interest cover shows the extent to which net interest obligations are covered by EBIT. Due to the improved EBIT, it rose to 23.1.

Net gearing expresses the ratio of net debt to the total of equity and net debt. This amounted to 12.8% at 31 December 2013.

A.47 Net debt

€m	2012	2013
Non-current financial liabilities	4,399	4,591
+ Current financial liabilities	377	1,290
= Financial liabilities	4,776	5,881
– Cash and cash equivalents	2,400	3,417
– Current financial assets	252	821
– Long-term deposits[1]	57	55
– Positive fair value of non-current financial derivatives[1]	115	107
= Financial assets	2,824	4,400
Net debt	1,952	1,481

[1] Prior-year amount adjusted. Reported in current financial liabilities in the balance sheet.

Business performance in the divisions

OVERVIEW

A.48 Key figures by operating division

€m	2012 adjusted	2013	+/– %	Q4 2012 adjusted	Q4 2013	+/– %
MAIL						
Revenue	13,972	14,452	3.4	3,851	3,968	3.0
of which Mail Communication	5,284	5,619	6.3	1,394	1,476	5.9
Dialogue Marketing	2,548	2,363	–7.3	691	654	–5.4
Press Services	744	734	–1.3	189	194	2.6
Parcel Germany	3,477	3,750	7.9	1,038	1,112	7.1
Retail Outlets	850	883	3.9	229	240	4.8
Global Mail	1,712	1,783	4.1	496	480	–3.2
Pension Service	101	98	–3.0	23	22	–4.3
Consolidation/Other	–744	–778	–4.6	–209	–210	–0.5
Profit from operating activities (EBIT)	1,048	1,226	17.0	372	360	–3.2
Return on sales (%)[1]	7.5	8.5	–	9.7	9.1	–
Operating cash flow	–1,445	940	–	–1,415	328	–
EXPRESS						
Revenue	12,778	12,712	–0.5	3,342	3,326	–0.5
of which Europe	5,614	5,891	4.9	1,482	1,561	5.3
Americas	2,276	2,259	–0.7	602	593	–1.5
Asia Pacific	4,301	4,289	–0.3	1,121	1,118	–0.3
MEA (Middle East and Africa)	961	924	–3.9	239	229	–4.2
Consolidation/Other	–374	–651	–74.1	–102	–175	–71.6
Profit from operating activities (EBIT)	1,110	1,133	2.1	280	320	14.3
Return on sales (%)[1]	8.7	8.9	–	8.4	9.6	–
Operating cash flow	1,102	1,471	33.5	495	588	18.8
GLOBAL FORWARDING, FREIGHT						
Revenue	15,666	14,838	–5.3	3,989	3,789	–5.0
of which Global Forwarding	11,604	10,727	–7.6	2,942	2,731	–7.2
Freight	4,192	4,246	1.3	1,081	1,093	1.1
Consolidation/Other	–130	–135	–3.8	–34	–35	–2.9
Profit from operating activities (EBIT)	514	483	–6.0	167	139	–16.8
Return on sales (%)[1]	3.3	3.3	–	4.2	3.7	–
Operating cash flow	647	649	0.3	237	374	57.8
SUPPLY CHAIN						
Revenue	14,340	14,277	–0.4	3,733	3,712	–0.6
of which Supply Chain	13,000	12,939	–0.5	3,391	3,343	–1.4
Williams Lea	1,345	1,345	0.0	345	371	7.5
Consolidation/Other	–5	–7	–40.0	–3	–2	33.3
Profit from operating activities (EBIT)	419	441	5.3	116	178	53.4
Return on sales (%)[1]	2.9	3.1	–	3.1	4.8	–
Operating cash flow	432	637	47.5	275	376	36.7

[1] EBIT/revenue.

MAIL DIVISION

Revenue up by 3.4%

In the reporting year, revenue in the division was €14,452 million and therefore well above the prior year's figure of €13,972 million, despite 0.6 fewer working days. The figure for the reporting year included negative currency effects of €26 million. Our operating business performed well overall, especially in the Mail Communication, Parcel Germany and Global Mail business units. In the first half of 2013, we utilised some of the provision recognised for postage stamps, which resulted in a positive effect of €50 million.

Volumes increase following product discontinuation

In the Mail Communication business unit, the volume of letters we delivered in 2013 increased overall by 3.1%, although private customer volumes declined by 2.6%. Since we discontinued our *Infobrief* product, business customers have been sending more traditional letters. In the regulated sector, we raised prices for the first time in 15 years as permitted by the price-cap procedure. Revenue in the business unit increased in the reporting year by 6.3% from €5,284 million to €5,619 million. A further price increase was approved for 2014.

Glossary, page 218

A.49 Mail Communication: volumes

mail items (millions)	2012	2013	+/– %	Q4 2012	Q4 2013	+/– %
Business customer letters	6,403	6,672	4.2	1,643	1,745	6.2
Private customer letters	1,175	1,144	–2.6	341	335	–1.8
Total	**7,578**	**7,816**	**3.1**	**1,984**	**2,080**	**4.8**

Unaddressed advertising mail on upwards trend

In the Dialogue Marketing business unit, volumes declined overall. Whilst unaddressed advertising mail saw an upwards trend, addressed advertising mail declined because we discontinued our *Infobrief* product. The mail-order business continued to hold back on advertising expenditure. Moreover, the insolvencies of our customers Neckermann and Praktiker had an adverse impact. Revenue in the business unit declined by 7.3% in the reporting year to €2,363 million (previous year: €2,548 million). The quarter-on-quarter decline was somewhat less pronounced.

A.50 Dialogue Marketing: volumes

mail items (millions)	2012	2013	+/– %	Q4 2012	Q4 2013	+/– %
Addressed advertising mail	5,869	5,470	–6.8	1,607	1,529	–4.9
Unaddressed advertising mail	4,197	4,281	2.0	1,158	1,253	8.2
Total	**10,066**	**9,751**	**–3.1**	**2,765**	**2,782**	**0.6**

Press services revenue down

Revenue in the Press Services business unit totalled €734 million in the reporting year, 1.3% below the prior-year figure of €744 million. Circulation figures continued their downwards trend in the German press services market and further publications were discontinued.

Parcel business sees strong sustained growth

In the Parcel Germany business unit, revenue in the reporting year was €3,750 million, exceeding the prior-year figure of €3,477 million by a substantial 7.9%. Fourth-quarter growth was somewhat lower. We are laying the logistical foundation for continued strong growth in e-commerce by expanding our portfolio and improving our services.

A.51 Parcel Germany: volumes

parcels (millions)	2012	2013	+/– %	Q4 2012	Q4 2013	+/– %
Business customer parcels[1]	835	902	8.0	244	261	7.0
Private customer parcels	120	124	3.3	40	41	2.5
Total	**955**	**1,026**	**7.4**	**284**	**302**	**6.3**

[1] Including intra-group revenue.

Retail outlets increase revenue

Revenue generated by the 26,000-plus sales points amounted to €883 million in the reporting year, a 3.9% increase over the prior year (€850 million). In the fourth quarter, revenue growth was actually 4.8%, driven by factors including strong parcel growth.

Sustained positive performance in international mail business

In the Global Mail business unit, volume declined in the reporting year, whilst revenue rose by 4.1% to €1,783 million. The trend that sees customers shifting from lightweight to heavier items continues across all regions. Furthermore, the development witnessed in both domestic business in the United States, and cross-border mail to and from Germany was particularly strong.

A.52 Mail International: volumes

mail items (millions)	2012	2013	+/– %	Q4 2012	Q4 2013	+/– %
Global Mail	1,900	1,804	–5.1	515	473	–8.2

Increased costs slow improvement in earnings

EBIT in the MAIL division was up 17.0% to €1,226 million in financial year 2013, a substantial increase on the adjusted prior-year figure of €1,048 million. The figure for the reporting year included a positive effect of €50 million from the utilisation of some of the provision recognised for postage stamps. Furthermore, the previous year was affected adversely by €151 million resulting from the additional VAT payment. Significantly higher labour and material costs noticeably slowed an improvement in earnings. Return on sales was 8.5%, exceeding the prior year (7.5%). In the fourth quarter of 2013, EBIT amounted to €360 million, 3.2% less than the prior year (adjusted: €372 million).

Operating cash flow in the reporting year was €940 million, significantly exceeding the prior-year figure of €–1,445 million. The prior year included the effects from the additional VAT payment (€–290 million) as well as the funding of our pension obligations (€–1,897 million). Working capital in the reporting year was €–424 million.

EXPRESS DIVISION

Operating business continues to perform well

In the reporting year, revenue in the division amounted to €12,712 million – only slightly below the previous year's figure of €12,778 million. Operationally, we have continued to grow: excluding the considerable negative currency effects of €546 million and revenues of €75 million related to the divested domestic express business in Australia, New Zealand and Romania included in the prior year, revenue increased by 4.3%.

In the Time Definite International (TDI) product line, per-day shipment volumes rose by 8.4% compared with the prior year. An increase of 8.4% in the fourth quarter affirmed this positive trend.

In the Time Definite Domestic (TDD) business, our customers sent 9.3% more shipments each day year-on-year. Growth in the fourth quarter amounted to 9.1%.

For reasons of materiality, we no longer report the Day Definite Domestic (DDD) product line separately with effect from the first quarter of 2013.

A.53 EXPRESS: revenue by product

€m per day[1]	2012 adjusted	2013	+/– %	Q4 2012 adjusted	Q4 2013	+/– %
Time Definite International (TDI)	34.1	36.5	7.0	36.5	39.5	8.2
Time Definite Domestic (TDD)	4.3	4.6	7.0	4.6	4.8	4.3

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

A.54 EXPRESS: volumes by product

Thousands of items per day[1]	2012 adjusted	2013	+/– %	Q4 2012 adjusted	Q4 2013	+/– %
Time Definite International (TDI)	596	646	8.4	643	697	8.4
Time Definite Domestic (TDD)	749	819	9.3	791	863	9.1

[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.

Above-average growth in some Europe region countries

Revenue in the Europe region increased by 4.9% in the reporting year to €5,891 million (previous year: €5,614 million). The figure included revenues of €15 million related to the domestic express business in Romania, which was sold in the first quarter of 2013. Excluding this sale and negative currency effects of €85 million related mainly to our business activities in the UK, Switzerland, Scandinavia, Russia, Turkey and several countries in Eastern Europe, revenue growth was 6.7%. Our business saw above-average growth especially in large countries such as Germany, the UK, Russia, the Netherlands, Spain and France. Daily shipment volumes in the TDI product line grew by 8.2% in the reporting year and 7.0% in the fourth quarter.

Volumes in the Americas region see final-quarter double-digit increases

In the reporting year, revenue in the Americas region amounted to €2,259 million – slightly below the previous year's figure of €2,276 million. This figure included negative currency effects of €146 million related mainly to our business activities in the United States, however also in Canada and other Central and South American countries. Excluding these effects, revenue in the region increased by 5.7%. Daily shipment volumes in the TDI product line improved by 7.3% in the reporting year, recording double-digit growth of 10.1% in the fourth quarter.

Sustained strong business growth in the Asia Pacific region

Despite the adverse impact of considerable negative currency effects of €270 million, which related mainly to Japan, Australia and India, revenue in the Asia Pacific region was €4,289 million and thus almost on a par with the prior year's figure of €4,301 million. Excluding these effects and the above-mentioned disposals of €60 million, revenue grew by 7.4%. In the TDI product line, our customers sent 9.0% more shipments per day in 2013 than in the previous year; volumes in China, Australia and India saw double-digit growth. Volume growth in the fourth quarter amounted to 8.9%.

Volumes in the MEA region continue to rise

In the MEA region (Middle East and Africa), revenue in the reporting year was €924 million and thus 3.9% below the prior year's figure of €961 million. The figure for the reporting period included negative currency effects of €53 million. Excluding these effects, revenue grew by 1.7% in the reporting year. Per-day shipment volumes for the TDI product line increased by 9.0%, recording an encouraging 10.7% in the fourth quarter.

EBIT exceeds high prior-year figure

EBIT in the division was €1,133 million in 2013, exceeding the record high of the previous year (adjusted: €1,110 million) by 2.1%. The prior-year figure included one-time effects, which had a positive impact on earnings of €113 million. The EBIT figure for the reporting year included a €12 million deconsolidation gain on the divestment of the domestic express business in Romania. Excluding these effects, earnings improved considerably by 12.4% in the reporting year. In the fourth quarter they even improved by 14.3% to €320 million (previous year, adjusted: €280 million).

Return on sales rose to 8.9% for the reporting year (previous year: 8.7%) and 9.6% for the fourth quarter (previous year, adjusted: 8.4%). Excluding the one-time effects mentioned above, return on sales rose from 7.8% to 8.8% year-on-year.

Thanks to increased profitability and further optimised working capital management, we increased the division's operating cash flow in the reporting year by 33.5% to €1,471 million (previous year: €1,102 million). In the fourth quarter, we also benefited from considerable seasonal effects in working capital, which together with increased profitability allowed operating cash flow to increase to €588 million (previous year: €495 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Freight forwarding business profitable in weak market

Revenue in the division decreased by 5.3% to €14,838 million in the reporting year (previous year: €15,666 million). This figure included negative currency effects of €491 million. The freight forwarding business declined in the first three quarters of 2013 in an appreciably weakened market. In the fourth quarter, revenue was 5.0% below the prior-year period at €3,789 million (previous year: €3,989 million) due also to the inclusion of negative currency effects of €184 million in this figure. Excluding currency effects, revenue saw a 0.4% year-on-year decrease. The business remained profitable overall.

In the Global Forwarding business unit, revenue declined by 7.6% in the reporting year to €10,727 million (previous year: €11,604 million). Excluding negative currency effects of €465 million, the decline was 3.6%. Gross profit decreased by 5.7% to €2,503 million (previous year: €2,655 million).

Our strategic project New Forwarding Environment continues to make good progress.

Objectives and strategies, page 34

Gross profits in air and ocean freight decline

Revenues and volumes in air and ocean freight decreased over the course of the reporting year as a whole, whereas the decline in the fourth quarter was lower.

Our air freight volumes in 2013 were 4.8% below the prior-year figure, due primarily to a decline in demand from several large customers in both the Technology and Engineering & Manufacturing sectors. Although higher freight rates were announced, short-term purchases on the spot market kept rates stable. Airlines are expanding their passenger capacities by putting new aircraft into operation. However, freight capacities are being reduced significantly and selectively in order to drive up the rates. This has led to increased pressure on margins since the end of the third quarter. In addition, several large airlines adjusted the basis for calculating fuel surcharges, which also had a negative impact on margins. Our air freight revenue in the reporting year declined by 10.0%, which resulted in a 12.6% decrease in gross profit. In the fourth quarter, volumes were 2.2% and revenue 5.9% below the prior-year quarter.

Our ocean freight volumes in the reporting year were down 1.2%. The main driver for this decrease was a decline in demand in the Americas region. The intra-Asian routes continue to record the highest volumes. The volumes on these routes increased year-on-year. Exports from Europe remain stable, whilst demand on the north-south routes is increasing. The rates on the east-west trade lanes remain volatile. Ocean carriers are responding to supply and demand by limiting effective capacity and adjusting travel speed. Our ocean freight revenue decreased by 5.5% in the reporting year; gross profit declined by 3.1%. In the fourth quarter, volumes again increased slightly by 0.9%; revenue remained 7.9% below the prior year.

Our industrial project business (in table 55, reported as part of Other) saw weaker performance in the reporting year compared with the prior year. Discontinuing the unprofitable part of our ship charter business in China in 2012 resulted in a drop in revenue; however, this could be partially offset by the addition of new profitable business. The share of revenue related to industrial project business and reported under Other was 37.9% and therefore almost on a par with the previous year (38.7%). Gross profit improved by a double-digit percentage compared with the prior year.

A.55 Global Forwarding: revenue

€m	2012	2013	+/– %	Q4 2012	Q4 2013	+/– %
Air freight	5,517	4,968	–10.0	1,397	1,315	–5.9
Ocean freight	3,738	3,532	–5.5	921	848	–7.9
Other	2,349	2,227	–5.2	624	568	–9.0
Total	**11,604**	**10,727**	**–7.6**	**2,942**	**2,731**	**–7.2**

A.56 Global Forwarding: volumes

thousands		2012	2013	+/– %	Q4 2012	Q4 2013	+/– %
Air freight	tonnes	4,147	3,949	–4.8	1,070	1,046	–2.2
of which exports	tonnes	2,327	2,215	–4.8	606	591	–2.5
Ocean freight	TEUs[1]	2,840	2,807	–1.2	701	707	0.9

[1] Twenty-foot equivalent units.

Slight revenue growth in European overland transport business

In the Freight business unit, revenue was up by 1.3% to €4,246 million in 2013 (previous year: €4,192 million). In addition to the effect of one additional working day, business grew primarily in Germany, Eastern Europe, the Benelux countries and France. Despite continuing pressure on margins in the highly competitive European transport market, gross profit was €1,152 million in the reporting year and thus on a par with the prior year's figure of €1,155 million.

EBIT includes higher expenses for NFE

EBIT in the division was €483 million and therefore 6.0% below the prior-year level (adjusted: €514 million). Whilst gross profit margins declined, efficiency increased and the relationship between gross margin and EBIT improved. As in the previous year, earnings included expenses for the NFE project, which, as expected, were higher than in 2012. Return on sales was 3.3% as in the previous year.

In the fourth quarter of 2013, EBIT fell year-on-year by 16.8% to €139 million.

Net working capital was reduced considerably year-on-year, thanks to strict cash management, leading to an operating cash flow of €649 million (previous year: €647 million).

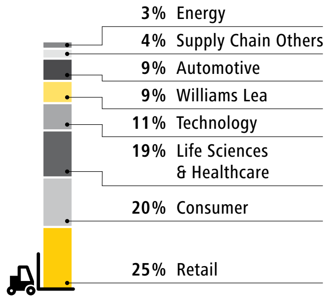
SUPPLY CHAIN DIVISION

Revenue growth impacted by negative currency effects

Revenue in the division decreased slightly in the reporting year by 0.4% to €14,277 million (previous year: €14,340 million). We disposed of our investments in three businesses which were no longer considered to be core activities. This reduced revenue by €212 million. Excluding these disposals and considerable negative currency effects of €694 million, revenue grew by 5.9%. The main currency effect came from the appreciation of the euro against the pound sterling. In the fourth quarter of 2013, revenue decreased by 0.6% year-on-year to €3,712 million (previous year: €3,733 million). Excluding the effects mentioned above, revenue growth was 7.5%.

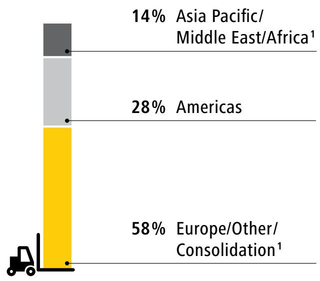
A.57 SUPPLY CHAIN:
revenue by sector, 2013

Total revenue: €14,277 million



A.58 SUPPLY CHAIN:
revenue by region, 2013

Total revenue: €14,277 million



[1] At the beginning of 2013, the sub-region Middle East and Africa was consolidated into the Asia Pacific region.

Asian supply chain business records highest revenue growth

Revenue in the Supply Chain business unit for 2013 was €12,939 million, a slight 0.5% decline from the previous year (€13,000 million). Excluding business disposals and high negative currency effects, growth was 6.0%. The largest revenue increases were seen in the Life Sciences & Healthcare, Automotive, Consumer and Technology sectors along with significant growth in Airline Business Solutions. Revenue from the top 20 customers increased by 5.4%.

In the Americas region, revenues in the major sectors Consumer, Life Sciences & Healthcare and Automotive improved due to additional volume and new business. The strongest revenue growth was seen in Brazil, principally in the Technology sector.

The largest percentage revenue increase was achieved in the Asia Pacific region, primarily in Australia, China and Thailand. Revenue growth in Australia resulted from additional volumes and new business, above all in the Consumer, Life Sciences & Healthcare and Technology sectors, as well as from Airline Business Solutions. In China, revenue increased significantly in the Consumer and Technology sectors, whilst in Thailand we benefited from new business and higher volumes in the Automotive, Consumer and Retail sectors.

In Europe, volumes in the Automotive sector and in Airline Business Solutions increased on account of higher end-customer demand. Revenue in the Life Sciences & Healthcare sector improved due to additional business with the UK National Health Service. The economic environment adversely affected business in other parts of Europe.

Revenue in the Williams Lea business unit was €1,345 million in the reporting year (previous year: €1,345 million). Excluding negative currency effects, revenue increased by 4.5% with accelerated growth in the second half of the year. Additional activity and the start of new contracts were partly offset by lower volumes in the banking and legal sectors, as well as some contract losses.

New business worth around €1,520 million secured

In the reporting year, the Supply Chain business unit concluded additional contracts worth around €1,520 million (previous year: around €1,210 million) in annualised revenue with both new and existing customers. Substantial signings were secured with major customers in the Consumer, Retail, Life Sciences & Healthcare and Technology sectors. The annualised contract renewal rate remained at a consistently high level.

Earnings impacted by one-time effects and business disposals

EBIT in the division was €441 million in the reporting year (previous year, adjusted: €419 million). This figure included a non-cash one-off gain on the adjustment of pension plans of €50 million in the fourth quarter, arising from the transition of defined benefit to defined contribution pension plans in the UK. In the reporting year, this one-off benefit was offset by €30 million in restructuring expenses mainly for initiatives to reduce indirect costs in Europe. The division also incurred expenses associated with business disposals.

Earnings were impacted by contract losses and the first-quarter charges associated with the Chapter 11 insolvency filing of a major Williams Lea customer based in the United States. The further improved management of our contract portfolio and strong performance in the Americas and Asia Pacific regions offset lower volumes and margin pressure in other markets. The return on sales was 3.1% (previous year: 2.9%). In the fourth quarter of 2013, EBIT amounted to €178 million (previous year, adjusted: €116 million), benefitting from the above-mentioned one-time effects and improved business performance.

Operating cash flow for the reporting year increased to €637 million, from €432 million in the previous year.

DEUTSCHE POST SHARES

Equity markets benefit from monetary policies

The stock markets performed well again in 2013. At the start of the year, sentiment was still bearish given concerns regarding France's risk of dipping into recession as well as the difficult situations in Italy, Spain, Portugal and Cyprus. On 19 April 2013, the DAX reached its annual low of 7,460 points. Whilst a good reporting season and the lowering of key interest rates by the ECB in May led the markets to recover, the upwards trend abated towards the end of the first half amidst speculation of a halt to the US Federal Reserve's expansive monetary policies. The DAX was up at the end of the first half thanks to the sustained growth of the German economy. However, the EURO STOXX 50 reached its annual low of 2,512 points on 24 June. In the second half, both indices displayed a steady upwards trend on the back of the US budget agreement and the decision of the ECB to take its key interest rate down another notch. After slight corrections, the markets rallied once again at year-end. The DAX reached a new all-time high of 9,589 points on 27 December and the EURO STOXX 50 reached an annual high of 3,111 points on the same day. The DAX ended the year 2013 at 9,552 points, a gain of 25.5%. The EURO STOXX 50 was up 18.4% year-on-year.

Economic parameters, page 45
Economic parameters, page 45

A.59 Deutsche Post shares: multi-year review

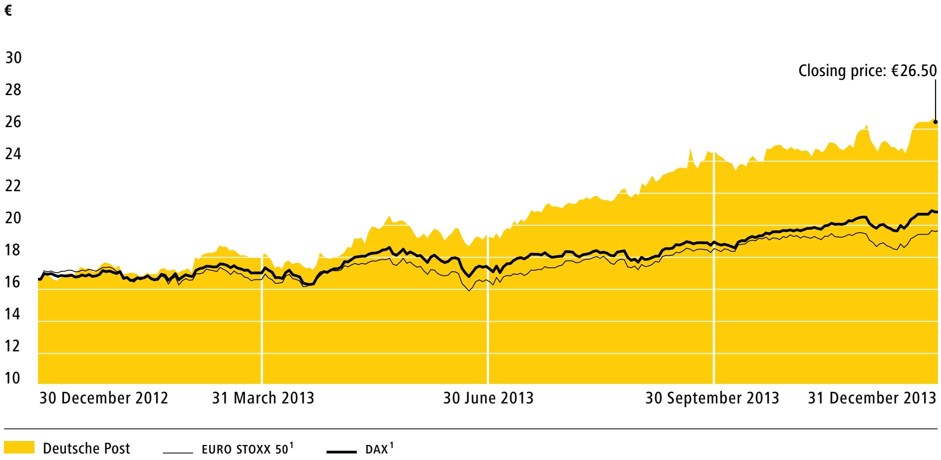
		2007	2008	2009	2010	2011	2012	2013
Year-end closing price	€	23.51	11.91	13.49	12.70	11.88	16.60	26.50
High	€	25.65	24.18	13.79	14.46	13.83	16.66	26.71
Low	€	19.95	7.18	6.65	11.18	9.13	11.88	16.51
Number of shares	millions	1,208.2[1]	1,209.0[1]	1,209.0	1,209.0	1,209.0	1,209.0	1,209.0
Market capitalisation as at 31 December	€m	28,388	14,399	16,309	15,354	14,363	20,069	32,039
Average trading volume per day	shares	6,907,270	7,738,509	5,446,920	5,329,779	4,898,924	4,052,323	4,114,460
Annual performance including dividends	%	6.9	−45.5	18.3	−1.4	−1.3	45.6	63.9
Annual performance excluding dividends	%	2.9	−49.3	13.3	−5.9	−6.5	39.7	59.6
Beta factor[2]		0.68	0.81	0.91	0.95	1.19	0.88	0.86
Earnings per share[3]	€	1.15	−1.40	0.53	2.10	0.96	1.36[7]	1.73
Cash flow per share[4]	€	4.27	1.60	−0.48	1.59	1.96	−0.17	2.48
Price-to-earnings ratio[5]		20.4	−8.5	25.5	6.0	12.4	12.2[7]	15.3
Price-to-cash flow ratio[4,6]		5.5	7.4	−28.1	8.0	6.1	−97.6	10.7
Dividend	€m	1,087	725	725	786	846	846	967[8]
Payout ratio	%	78.6	–	112.6	30.9	72.7	51.6	46.2[9]
Dividend per share	€	0.90	0.60	0.60	0.65	0.70	0.70	0.80[8]
Dividend yield	%	3.8	5.0	4.4	5.1	5.9	4.2	3.0

[1] Increase due to exercise of stock options Note 38.
[2] Three-year beta; source: Bloomberg.
[3] Based on 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 after applying IAS 19R.
[8] Proposal.
[9] Excluding extraordinary effects: 48.9%.

A.60 Peer group comparison: closing prices

		30 Sept. 2013	31 Dec. 2013	+/– %	30 Dec. 2012	31 Dec. 2013	+/– %
Deutsche Post DHL	EUR	24.53	26.50	8.0	16.60	26.50	59.6
PostNL	EUR	3.20	4.15	29.7	2.92	4.15	42.1
TNT Express	EUR	6.75	6.75	0.0	8.43	6.75	–19.9
FedEx	USD	114.11	143.77	26.0	91.72	143.77	56.7
UPS	USD	91.37	105.08	15.0	73.73	105.08	42.5
Kuehne + Nagel	CHF	118.50	117.10	–1.2	110.00	117.10	6.5

A.61 Share price performance



[1] Rebased to the closing price of Deutsche Post shares on 30 December 2012.

Deutsche Post shares outperform the DAX for the third consecutive year

Deutsche Post shares again made strong gains over the course of 2013. Although the shares recovered quickly from their annual low of €16.51 on 8 January, they then proceeded to mirror the fluctuating market. After publication of the figures for 2012 on 5 March our shares broke away from the rest of the market to take a lead that widened even more after the announcement of the quarterly figures on 14 May 2013. The free float steadily increased up until the end of July, finally reaching 79.0% as a result of full conversion of a convertible bond issued by KfW Bankengruppe (KfW). Publication of the results for the second quarter on 6 August led to fresh price gains for our shares along with rising market capitalisation, a development that made no small contribution to their admission to the EURO STOXX 50 on 23 September. Over the rest of the year we registered additional gains thanks to increases in demand as well as another announcement of solid figures on 12 November, this time for the third quarter. The subsequent brief price correction was followed by a year-end rally to a new all-time high of €26.71 on 27 December. With a closing price of €26.50, our shares ended the year up 59.6% and thus outperformed the DAX for the third consecutive year. Deutsche Post shares were also the second-strongest stock in Germany's leading index as well as in the EURO STOXX 50 at the end of 2013. Average daily Xetra trading volumes remained at the prior-year level at 4.1 million shares.

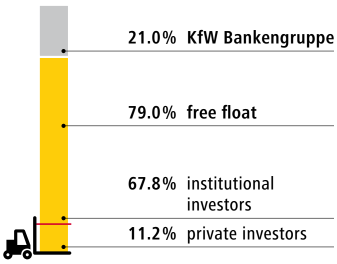
Majority of analysts give shares a "buy" rating

At the close of 2013, 18 analysts issued a "buy" recommendation on our shares – six fewer than the year before. Due to the strong share performance, more analysts regard our stock as appropriately rated. As a result, the number of hold ratings increased from 11 to 14. Only three analysts recommended selling, one more than in the previous year. The average price target increased from €17.44 to €26.13 during the year.

Free float rises anew

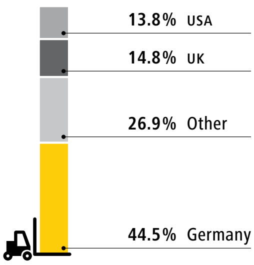
The convertible bond issued by KfW on 23 July 2009 and exchangeable for 54.1 million Deutsche Post shares was converted in full by the bond creditors prior to the end of July due to the strong performance of the stock. KfW's stake thus dropped by 4.5% to 21.0% in advance of the conversion deadline of 30 July 2014 with the according rise in the free float to 79.0%. The share of our stock held by private investors rose to 11.2% (previous year: 10.8%). In terms of the regional distribution of identified institutional investors, the highest percentage of shares (14.8%) continues to be held in the United Kingdom (previous year: 13.8%). The share of US investors increased to 13.8% (previous year: 12.3%) whilst that of institutional investors in Germany rose to 12.3% (previous year: 11.7%). Our 25 largest institutional investors hold a total of 30.5% of all issued shares.

A.62 Shareholder structure[1]



[1] As at 31 December 2013.

A.63 Shareholder structure by region[1]



[1] As at 31 December 2013.

Focused capital markets communication recognised

We again succeeded in demonstrating the potential of our company and its divisions to the capital markets in the reporting year. In April, we held two Capital Markets Tutorial Workshops – one in London and one in Frankfurt am Main – to ensure a high level of transparency with regard to pensions and other provisions, including their impact on the financial statements and free cash flow. In further tutorial workshops in Leipzig and London in September, we explained the business model of our EXPRESS division to investors and analysts with the aim of boosting confidence in the division's financial objectives. Our discussions regarding the MAIL division focused on medium-term profit expectations and growth prospects for the parcel business. With respect to the GLOBAL FORWARDING, FREIGHT division, discussions revolved around implementation of our strategic NFE project, and those regarding the SUPPLY CHAIN division involved the prospects for growth and profitability.

We have further developed our investor targeting activities, holding a total of 566 one-on-one meetings at national and international conferences and road shows, 104 of which involved members of our Board of Management. Our investor relations work was recognised in the annual survey conducted by the *Institutional Investor* trade journal, with both our CEO and IR team winning first place respectively in the transport sector in a poll of sell-side analysts. In the opinion of their buy-side counterparts, Dr Frank Appel and Lawrence Rosen also ranked amongst the top board members in the sector.

Our investor relations site took first place in the IR Global Rankings out of 300 participating companies in the category of "IR Website". Furthermore, we have also been providing up-to-date IR and financial media news for the iPad since June 2013. In the reporting year alone, our free "DPDHL IR app" has been downloaded more than 2,000 times.

NON-FINANCIAL FIGURES

Deutsche Post DHL not only wants to be an attractive investment for shareholders, it also wants to become the employer of choice for employees and the provider of choice for customers. Our services in the areas of HR, diversity, health management, occupational safety, service and quality play a key role in this endeavour. With programmes in the areas of environmental protection, disaster management and education, the Group is also committed to social responsibility.

Employees

"One HR" – redesigning HR

With excellent HR work, we intend to contribute to the performance of the Group and its divisions, whilst safeguarding the balance between Group-wide harmonisation and divisional/regional independence. In 2012, we began to transform the content and structure of our Human Resources activities with the launch of our One HR programme. Our objective is to create a globally integrated HR management and, over the course of the reporting year, important steps were taken towards this goal: corporate and divisional structures were redesigned, a cross-divisional HR decision-making body was established, and a globally applicable HR process framework created.

In future, Group-wide strategies and standards will be introduced across all areas of HR. Furthermore, we intend to take strategic action to achieve success by way of ten key initiatives, including talent management, diversity and leadership development training.

These changes within the HR organisation are being accompanied by a batch of measures, including a network of promoters set up specifically to help facilitate the changes and a new training programme designed for all HR employees within the Group.

Employee opinion survey with good results

Group management, page 37

The annual results of our global employee opinion survey represent indicators relevant for internal management. The objective is to measure employee commitment within the Group and ensure it is further encouraged via appropriate measures. The conduct of management is very important in this respect and it is for this very reason the "Active Leadership" KPI is tied to management bonuses. Overall, the results were good across the Group, with all areas rated as better than or unchanged from the prior-year results. Participation during the reporting year lagged slightly behind that of the prior year as a result of adjustments in communication and reporting practices.

A.64 Selected results from the employee opinion survey

%	2012	2013
Participation rate	80	77
KPI Active Leadership	69	70
KPI Employee Commitment	72	72

Number of employees continues to rise slightly

As at 31 December 2013, we employed 435,285 full-time equivalents in more than 220 countries and territories, 1.7% more than in the previous year.

A.65 Number of employees

	2012	2013	+/– %
At year-end			
Headcount[1]	473,626	480,006	1.3
Full-time equivalents[2]	**428,129**	**435,285**	**1.7**
of which MAIL	145,850	148,083	1.5
EXPRESS	85,587	86,095	0.6
GLOBAL FORWARDING, FREIGHT	42,062	43,405	3.2
SUPPLY CHAIN	141,926	145,190	2.3
Corporate Center/Other	12,704	12,512	–1.5
of which Germany	167,082	168,925	1.1
Europe (excluding Germany)	107,322	105,012	–2.2
Americas	72,503	77,162	6.4
Asia Pacific	64,164	66,840	4.2
Other regions	17,058	17,346	1.7
Average for the year			
Headcount	472,321	479,212	1.5
of which hourly workers and salaried employees	424,950	433,956	2.1
Civil servants	42,461	40,321	–5.0
Trainees	4,910	4,935	0.5
Full-time equivalents	**428,287**	**435,520**	**1.7**

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

The majority of employees were hired in the SUPPLY CHAIN division as a result of growth in new and existing business. The prior-year figure includes employees from three companies that have since been divested.

The MAIL division saw increases because new personnel were hired, in particular for the Parcel Germany business unit.

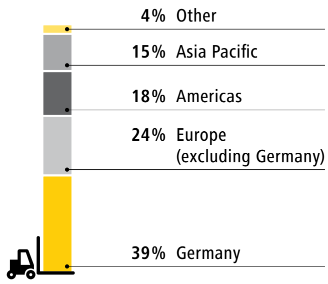
The number of full-time employees in the EXPRESS division increased slightly compared with the previous year. This was necessary mainly in the area of operations due to the increase in item volumes.

The GLOBAL FORWARDING, FREIGHT division reports a slight increase due merely to a change in the recording of figures in the Americas.

We continue to employ most of our personnel in Germany, where our workforce increased. Staff levels also rose in the Americas, Asia Pacific and Other regions. Our workforce in Europe declined.

Current planning foresees another slight increase in the number of employees in financial year 2014.

A.66 Employees by region, 2013[1]



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

Staff costs at prior-year level

Note 14

At €17,785 million, staff costs remained at the prior-year level (€17,770 million).

A.67 Staff costs and social security benefits

€m	2012	2013
Wages, salaries and compensation[1]	14,209	14,307
Social security contributions	2,094	2,111
Retirement benefit expenses[1]	954	883
Expenses for other employee benefits	336	357
Expenses for severance payments	177	127
Staff costs	**17,770**	**17,785**

[1] Prior-year adjusted figures Note 4.

Wage agreement concluded for Deutsche Post AG

In April 2013, Deutsche Post AG concluded a collective agreement with the trade unions for around 130,000 employees. The long, 26-month term is a significant achievement. The agreement not only means commensurate compensation, it also creates planning certainty and stability for the company until mid-2015. Furthermore, the postal allowance paid to civil servants as well as the remuneration for trainees and co-operative education students was adjusted.

The Generations Pact, concluded between Deutsche Post AG and the trade unions in 2011, continued to find acceptance amongst our workforce in the reporting year. As at the end of the year, 1,429 employees have gone into partial retirement and 16,737 have set up a working-time account. Together with the competent authorities, we are also working towards a comparable instrument for age-based working solutions for our civil servants.

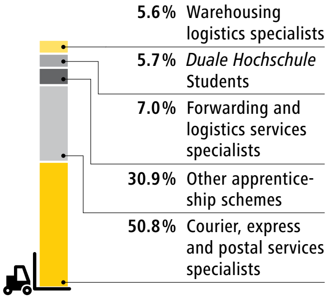
Systematically developing and promoting employees

We employ a multi-step system to develop and promote our employees at all levels. In multi-day training workshops, top, upper and middle management learn how they can further develop their personal approach to leadership based on an overarching philosophy. As at the end of the reporting year, 1,128 executives had taken part in such a workshop. We intend to further develop the programme and add associated measures in 2014. This success is also reflected in our internal placement rate for upper and middle management, which was 90.3% in the reporting year (previous year: 92.9%). 11.0% (previous year: 5.7%) of the internal job placements involving these positions were cross-divisional in 2013.

The "Certified International Specialist/Professional/Manager" training concept forms a standardised basis for the functional and divisional training of all employees, and was transferred to HR in the reporting year. With effect from 2014, it will support our 5,500 HR employees during the upcoming changes and deepen their knowledge in all important fields on multiple levels. The trainers will come exclusively from our own ranks.

The systematic development and qualification of our workforce begins with an apprenticeship. In the reporting year, we hired over 2,148 talented young individuals for more than 20 apprenticeship schemes and 15 dual-study programmes, making Deutsche Post DHL one of the largest companies providing opportunities for apprentices in Germany. We also use performance incentives to motivate our apprentices. The top 5% are fostered in our *Top-Azubi* talent programme. They receive additional support from a "mentor", have access to special seminars and receive an employment guarantee. In 2013, around 1,371 young people were offered a full-time employment contract after completing their apprenticeship.

A.68 Apprenticeship schemes Deutsche Post DHL, worldwide[1]



[1] Number of apprentices, annual average: 4,935.

Rewarding good ideas

Group-wide Idea Management boosts our innovative strength and improves our ability to compete in the market. Employees in 37 countries are now able to participate.

A.69 Idea management

		2012	2013
Suggestions for improvements	number	165,124	124,834
Accepted suggestions for improvements	number	133,698	106,248
Rate of implementation	%	81.0	85.1

Seeing diversity as potential

We foster diversity by means of our systemtic management approach. It is a constituent part of our corporate identity and contributes to an open corporate culture. The Group's declaration on "Diversity & Inclusion", which was approved and communicated around the world in the summer of 2013, demonstrates how important diversity is to the Board of Management.

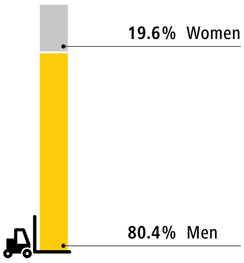
We want to raise awareness amongst our staff of the sheer potential that diversity offers our company. To this end, we have developed, amongst other things, executive training programmes for integration into existing development programmes.

A.70 Employees with a disability (Deutsche Post AG)[1]

		2011[2]	2012	2013
Mandatory workplaces	Headcount	13,199	13,740	14,170
Employment rate	%	8.3	8.6	8.7

[1] In accordance with §80 German Social Code IX.
[2] Adjusted.

A.71 Gender distribution in management[1], 2013



[1] Based on upper and middle management.

Since the end of 2011, we have taken measures to sustainably increase the number of women in executive positions: we have made a commitment with regard to filling executive positions, introduced a system of key figures and installed mentoring programmes. Furthermore, we are supporting women's networks and we have made Group-wide diversity training focusing on gender available for executives. On 31 December 2013, the proportion of women in executive positions worldwide was 19.6%, an increase compared with 17.6% in 2011.

Work-family balance is an essential aspect of what makes us an attractive employer. We succeed in meeting the needs of our employees by offering flexible working hour models and consistently improved childcare options.

A.72 **Work-family balance**[1]

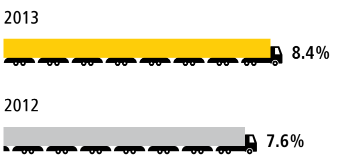
Headcount	2012	2013
State-regulated parental leave	1,718	1,579
of which men	155	146
of which women	1,563	1,433
Unpaid holiday for family reasons	2,150	1,966
Part-time employees[2]	62,523	63,169
Share of part-time employees (%)	37.0	36.8

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

The average annual employment rate of people with a disability was 8.7% at Deutsche Post AG in 2013, again well above the national average in the German private sector (4.0% in 2011, source: *Bundesagentur für Arbeit* (German federal employment agency)).

Health and safety

A.73 **Illness rate**[1]



[1] All organisational units in Germany.

Group-wide health and safety strategy adopted

In the reporting year, we approved a global health and safety strategy based on the “Healthy Workplace” model set out by the World Health Organisation. It integrates the four areas of workplace design, corporate culture, strengthening individual health resources and supporting the entire community. We focus on prevention in order to address risks which could impact health and productivity – aiming to limit an increase in insurance and treatment costs in the process.

In Germany, for example, we have for many years employed a management system that uses local Health Work Groups to implement a broad spectrum of measures to promote health and prevent accidents. In this way alone, our health and safety organisation initiates up to 40,000 health promotion measures on an annual basis.

The illness rate in our company in Germany was in line with the general trend, rising to 8.4% (previous year: 7.6%). The increase was due to the rising proportion of older employees, a severe flu outbreak and an increase in accidents due to the harsh winter.

Contributing to a safe work environment

Our goal is to prevent occupational risks and design a safe and healthy workplace for our employees. To this end, for example, we analyse accidents in detail and use the results to develop suitable preventative measures. As a logistics company, we focus on safe and trouble-free transport processes at our facilities, as well as on road safety. Our processes have to undergo critical appraisal on a regular basis.

A.74 Occupational safety[1]

	2012[3]	2013[4]
Number of workplace accidents[2]	14,441	15,765
Accident rate (number of accidents per 1,000 employees per year)	80	86
Number of working days lost due to accidents (calendar days)	313,750	359,452
Working days lost per accident	21.7	22.8
Number of fatalities due to workplace accidents	1	2

[1] Includes employees of Deutsche Post AG.
[2] Accidents when at least one working day is lost, including accidents on the way to and from work.
[3] Adjusted.
[4] As at 2 January 2014. Subject to change if later reports received.

Corporate responsibility

Focusing on corporate responsibility

Part of our Group strategy is to exemplify our corporate responsibility. We achieve this by combining profitability with sustainability. The importance this has for our business activities is demonstrated in our Code of Conduct, which is guided by the principles of the Universal Declaration of Human Rights, the United Nations (UN) Global Compact, the International Labour Organisation (ILO) convention and the OECD guidelines for multinational companies. We also take the various interests of our stakeholders into account. In order to more accurately understand their needs, we asked our stakeholders to participate in a survey for the first time in the year under review. The results were systematically recorded in a Materiality Analysis and are presented in our 2013 Corporate Responsibility Report.

dpdhl.com/en/responsibility

Our approach to value creation is to ensure that our business activities benefit both society and the environment whilst at the same time solidifying our market position. We pursue this approach by means of our activities in the area of environmental and climate protection as well as through our sustainable products and services. In addition, we systematically and continuously track developments in areas such as labour, health, safety, procurement and compliance to enable us to more quickly and comprehensively identify opportunities and risks relevant to our business. Furthermore, the Corporate Citizenship department comprises activities in the area of education and emergency assistance for natural disasters as well as local environmental protection and aid projects in which our employees get involved.

Page 88 ff.

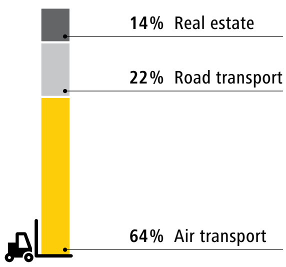
Slight rise in greenhouse gas emissions due to better utilisation of our own aircraft capacity

We aim to reduce our dependency on fossil fuels, improve our CO_2 efficiency and lower costs. We have anchored these goals throughout the entire Group with our GoGreen environmental protection programme. Our “green” products and services help customers achieve their own environmental targets whilst concurrently opening up new business opportunities to us. By the year 2020 we intend to improve the CO_2 efficiency of our own operations and those of our subcontractors by 30% compared with 2007.

We quantify our greenhouse gas emissions based upon the principles of the GHG Protocol Corporate Standard and the DIN EN 16258 standard. In our European air freight business, this also includes 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 2013, our

A.75 CO_2e emissions, 2013

Total: around 5.6 million tonnes[1]



[1] Scopes 1 and 2.

direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions amounted to approximately 5.6 million tonnes (previous year: 5.4 million tonnes of CO_2e). These emissions were a result of the fuel consumption of our fleet and energy consumption in our buildings. Our emissions increased by 3.7% due mainly to better utilisation of our own aircraft (Scope 1) in meeting demand. This reflects the EXPRESS division's above-average performance. At the same time, we have avoided 0.5 million tonnes of CO_2e by using electricity from renewable sources.

A.76 Fuel and energy consumption

		2012	2013
Consumption by fleet			
Air transport (jet fuel)	million kilograms	1,059.0	1,131.8
Road transport (petrol, biodiesel, diesel, bio-ethanol, LPG)	million litres	472.3	476.8
Road transport (biogas, CNG)	million kilograms	2.2	3.2
Energy for buildings and facilities (including electric vehicles)	million kilowatt hours	3,127	3,394

dpdhl.com/en/responsibility

The basis for calculating our CO_2 emissions and the changes in our CO_2 efficiency as well as detailed consumption data are available in the Corporate Responsibility Report.

Using our expertise and network for social responsibility

As part of a public-private partnership, we support the UN in disaster management free of charge as part of our GoHelp Group programme. At airports selected in conjunction with the UN, our professional logistics experts hold multi-day workshops known as Get Airports Ready for Disaster (GARD) to help prepare the airport personnel for disaster scenarios. During the workshops, risk analyses are developed and measures prepared that can increase the capacity and efficiency of the airport in the event of disaster. In 2013, six airports in El Salvador, the Philippines, Armenia and Panama were examined.

Disaster Response Teams provide immediate assistance on site when disaster strikes. Our worldwide network is made up of more than 400 volunteer logistics specialists who can be deployed to a disaster area within 72 hours of receiving the call from the UN. Once on site, they support relief organisations by taking over airport logistics. In 2013, our DRTs were deployed to Chile after the forest fires and to the Philippines after the devastating Typhoon Haiyan.

As one of the world's largest employers, we want to improve the education and employability of young people. We are a partner of the Teach For All and SOS Children's Villages organisations and over the course of the reporting year we supported organisations in 21 countries. We entered into new partnerships with SOS Children's Villages in Uganda, Ethiopia, Jordan, Morocco, Peru, Costa Rica and Panama. The co-operation agreement between Deutsche Post DHL and Teach For All was extended for another three years in 2013. We have recently started co-operating with Teach for the Philippines. Our financial support is supplemented by commitment from our employees as part of local partnerships.

With Global Volunteer Day, where around 100,000 employees were active during the reporting year, and the Living Responsibility Fund, we support our employees' volunteering activities. The We Help Each Other (WHEO) fund enables employees to donate money for colleagues affected by a natural disaster.

Our corporate responsibility – globally acknowledged

International investors and analysts monitor and evaluate how sustainable a company's business is. Based on our commitment in the reporting year, we were again listed in the FTSE4Good and MSCI sustainability indices and achieved a very good ranking in the CDP Global 500 Climate Disclosure Leadership Index. We were the only company in our sector to receive the top "AAA" ranking from MSCI in 2013. In addition, the leading sustainability research company Sustainalytics evaluated our overall corporate responsibility and environmental activities as "Industry Leader". Other independent institutions also rated our activities: our GoGreen environmental protection programme, for example, was awarded the international Green Brands eco-label in 2013. Moreover, we are ranked 23rd of 70 international corporations in the Good Company Ranking published by communications agency Kirchhoff Consult AG. Please see our Corporate Responsibility Report for additional results.

dpdhl.com/en/responsibility

Procurement

Expenditure at prior-year level

In the year under review, the Group centrally purchased goods and services with a total value of approximately €9.4 billion (previous year: €9.5 billion).

Procurement helps the divisions to reduce expenditure and make cost-effective investments. It has supported the EXPRESS division in the area of aviation for years. In the reporting year, a global tender was put out for divisional kerosene requirements. As a result, costs were reduced by around €3.6 million. A further €4.5 million was saved by purchasing new aviation ground support equipment.

Procurement once again supported the MAIL division in the selection and order placement process for sorting solutions. In order to expand capacities in the parcel network, the equipment at 20 facilities was expanded or retrofitted. Moreover, we selected suppliers with whom a number of technical solutions are being tested. Procurement also supported the ADAC Postbus project team during contract negotiations. As a result, the costs initially calculated were reduced.

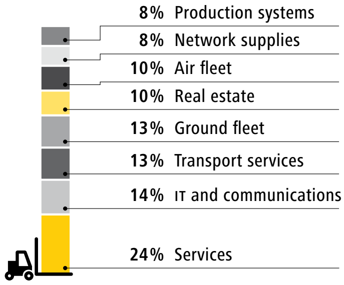
Procurement helped the GLOBAL FORWARDING, FREIGHT division with its New Forwarding Environment project, leading negotiations and providing support in implementing the future IT system.

The Group put out a global tender for the acquisition of IT hardware, which allowed us to both reduce prices and increase product quality. The supplier base was expanded and the hardware standardised.

The financing and payment model Supplier Finance, which is in place in parts of Europe, the United States, South Korea and the People's Republic of China, was deployed in the United Kingdom and Turkey in the reporting year. It allows the divisions to improve their working capital and suppliers to benefit from favourable financing conditions.

A.77 Procurement expenses, 2013

Volume: €9.4 billion



Objectives and strategies, page 33

Objectives and strategies, page 34

Procurement organisation adapted to regional requirements

Procurement is a centralised function in the Group. In the reporting year, the Global Sourcing IT and Telecommunications department was added to the Procurement organisation. This allows us to pool our expertise in the area of IT, which is consistently growing in strategic importance. Corporate Category Management now comprises three Global Sourcing departments which work closely with the four procurement regions. All report to the head of Corporate Procurement. In Asia, we outsourced the catalogue-based ordering system to an external provider, which now serves the eleven countries with the highest procurement rate in the Asia-Pacific region from its base in Nanhai, China. As a result, we are able to respond even more flexibly and quickly to the strong growth in this market. In contrast, we pooled our purchasing into three regional centres in the Americas and Europe.

Procurement considers environmental aspects

When purchasing products and services, Procurement works closely together with those responsible for the various product categories and regions in order to take environmental aspects into consideration. Our goal is to increase the proportion of energy we consume from renewable resources and over the course of the reporting year, we began laying the necessary legal groundwork to realise this. In addition to several countries in Europe, we are also gradually converting to green electricity in the United States at present. In the reporting year the operational fleet was also modernised. 8,956 emission-efficient Euro class 5 and 6 vehicles were put into operation in Germany. In addition, a total of 121 electric vehicles and three natural gas vehicles were procured and are being tested on delivery routes. We describe various projects and the CO_2 savings achieved in our Corporate Responsibility Report.

dpdhl.com/en/responsibility

Procurement systems further expanded

The use of IT applications to procure goods and services more efficiently increased again in the reporting year. For instance, our electronic ordering system “GeT” is now available in the 46 countries with the highest procurement rates. This improves our procurement worldwide.

Suppliers required to comply with Code of Conduct

An essential component of our supplier contracts is the Code of Conduct for suppliers, which defines the Group’s ethical and environmental standards. It includes an explicit ban on child and forced labour. Furthermore, suppliers agree to comply with all valid environmental, labour and health regulations, the international anti-corruption standards in the United Nations Global Compact as well as local anti-corruption laws, and refrain from all forms of discrimination based on race, religion, disability, age, sexual orientation or gender.

Customers and quality

Innovative technology translates into competitive advantage in the mail and parcel business

We operate a first-class, efficient and environmentally friendly nationwide transport and delivery network in Germany consisting of 82 mail centres and 33 parcel centres that process 64 million letters and in excess of 3.4 million parcels each working day. In the reporting year, the high level of automation in our mail business, which exceeds 90 %, saw a further slight increase. In our parcel network, we have meanwhile increased our overall sorting capacity by almost 30 % by upgrading existing facilities.

Our customers rate the quality of our services based on whether posted items reach their destinations quickly, reliably and undamaged. We again achieved excellent results in letter transit times within Germany: according to surveys conducted by the quality research institute Quotas, 94 % of the letters posted during our daily opening hours or before final post box collections are delivered to their recipients the next day. This places us far above the legal requirement of 80 %. In order to ensure this level of quality in the long term, our quality management is based on a system that is certified each year by TÜV NORD, a recognised certification and testing organisation.

In the parcel business, items usually reach their recipients the next working day. This is based on parcels that were collected from business customers and that were delivered the next day. Our internal system for measuring parcel transit times has been certified by TÜV Rheinland since 2008.

Transit times for international letters are determined by the International Post Corporation. Here, we rank amongst the top postal companies.

In 2013, E-Postbrief was developed into E-POST with a series of user-friendly services: with E-POST, small and medium-sized companies can send items directly from their usual company software, either digitally or by conventional post, digitise and safely store consumer documents, and pay invoices using invoice recognition.

The average weekly opening time of our 26,000-plus sales points was 55 hours in the reporting year (previous year: 52 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: over 91 % of customers were satisfied with our quality and service (previous year: 92 %). In addition, impartial mystery shoppers from TNS Infratest tested the postal outlets in retail stores around 26,000 times over the year. The result showed that more than 94 % of customers were served within three minutes.

A central characteristic of the quality of our products is environmental protection. As such, we employ a TÜV NORD-certified environmental management system in our mail and parcel businesses in Germany. Our GoGreen products offer private and business customers climate-neutral shipping options. Moreover, with over 200 vehicles, we operate one of the largest electric vehicle fleets in the world. Bonn, Germany, where our corporate headquarters are based, is the first city, in which we have begun to convert our entire delivery operations to run using electric vehicles. Furthermore, we use innovative technologies in our buildings and operating facilities, such as LED, and we have also increased our use of renewable energies.

Corporate responsibility, page 79 ff.

Service quality translates into competitive advantage in the express business

We want to offer our customers the best possible service quality all around the world and therefore 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 new 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, evaluated and made available to all responsible departments within the company. This allows us to continuously translate customer feedback into improvements.

Online, we provide the MyDHL portal as well as the Small Business Solutions section of our website. These portals make it easier for, above all, small and medium-sized business customers to send their shipments. They also receive comprehensive information on the topic of shipping. We use quality control centres to track shipments worldwide and dynamically adjust our processes. Should unforeseen events occur, flight and shipment routes can be altered immediately. Our standard service includes tracking all premium products – for example, Medical Express shipments – until they are delivered. In the case of sensitive shipments, we also immediately take all necessary measures to ensure that they reach the recipient at the agreed time and in the agreed quality.

Our operational safety, compliance with standards and the quality of service at our facilities are reviewed regularly in co-operation with government authorities. More than 240 locations – around half 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 area. In 2010, we began recording all certification processes using a uniform system, and managing them globally. We received global ISO 9001:2008 certification for our systems in the reporting year. This validated our policy of harmonising quality standards. Furthermore, we renewed the ISO 9001 and 14001 standards for Europe.

Better performance translates into competitive advantage in the freight forwarding business

In order to support a culture of customer advocacy, we conduct biennial surveys to determine customer satisfaction with our services. Moreover, during the reporting year we launched a project called Net Promoter Approach, which sees customers rate the performance of our services immediately after interacting with us. The knowledge gained is used immediately to adapt local services where necessary and improve internal processes.

Objectives and strategies, page 31

To further improve our performance, we apply the First Choice Way. By 2013, over 5,000 employees trained in this methodology were employed in our operations and in the reporting year more than 1,200 improvements were made. The vast majority of the division's operating performance indicators exceeded our forecasts over the year as a whole. For example, the rate of customer complaints that were resolved successfully improved on the prior year by nearly one-fifth to approximately 78%.

With the help of our customers, we intend to stabilise processes and improve our performance. Currently more than 150 initiatives are underway worldwide. For instance, the Brazilian team that services a global hardware manufacturer improved the customs clearance process by reducing processing time by 48% and enabling 98% of the files to be cleared within the target cycle time. Our customers value our continuous improvements and in 2013, we again received numerous awards for these efforts.

Quality translates into competitive advantage in the supply chain business

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

Objectives and strategies, page 31 ff.

In order to measure and monitor the quality of our service, we have defined a number of performance indicators for the division. These include safety, productivity and inventory accuracy. In 2013, we again achieved more than 95% of our service standards worldwide. Seven out of ten customers surveyed confirmed that DHL is their provider of choice in the supply chain business.

With our Path to Quality programme, which we introduced in 2011, we are constantly improving the already high quality of our services and thus ensuring the consistency, transparency and simplicity of logistics processes. The results achieved using the Path to Quality system have been met with broad recognition amongst customers.

Brands

A.78 Brands and business units

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

DHL's brand value climbs higher

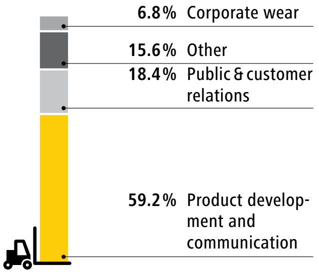
In order to remain the postal service for Germany (*Die Post für Deutschland*) and become the logistics company for the world, we aim to strengthen the image and value of our Deutsche Post and DHL brands. We succeeded in doing this again in the reporting year, as has been reflected in independent studies.

According to the BrandZ study conducted by the market research institute Millward Brown, the DHL brand climbed two places to 98th on the list of most valuable brands in the world and its value increased by 17.6% to US$8.9 billion. Millward Brown calculates brand value based on the current financial situation along with the contribution the brand makes to the company's business success.

In 2013, consulting firm Semion Brand-Broker calculated that Deutsche Post's brand value had remained unchanged at €13,067 million. This again ranks us number six amongst the most valuable German brands. Factors analysed included financial value, brand protection, brand image and brand strength.

A.79 Marketing expenditures, 2013

Volume: around €341 million



In total, we invested around €341 million (previous year: €341 million) into building and expanding our brands internationally.

Sports activities strengthen identity with the Deutsche Post brand

Motivated employees understand that they are brand ambassadors who play a role in winning over and retaining customers. At Deutsche Post, the internal motivational platform known as the *Deutsche Post Fan Club* plays a considerable role in strengthening employee identity with the brand. Through this programme, we support employee participation in recreational sports and fan activities in the community. After five years, the response amongst the staff has been impressive, with more than 10,000 football players, nearly 9,000 runners and around 3,200 cyclists taking part in activities in the reporting year. Furthermore, many employees joined their colleagues to attend *Deutsche Fußball-Bund* (DFB – German football federation) cup matches, international football matches and *Deutsche Tourenwagen-Masters* (DTM – German Touring Car Masters) races, of which we are a sponsor.

At the DTM final 2013 at Germany's Hockenheimring race track, the Deutsche Post brand secured its first victory as a team partner of BMW. Our co-operation with the DFB was also a success in 2013: the German women's national football team won the European Championship and the men's team qualified for the 2014 FIFA World Cup Brazil™.

An expanding product portfolio

Page 31 ff.

We are systematically expanding our business and have detailed this in the Objectives and strategies chapter. For example, the online supermarket Allyouneed.com has been positioned as a modern alternative to traditional food retailing. During the reporting year, market research was undertaken to determine the potential of this offer, moreover, we have already increased awareness and reach within the target group with targeted PR and marketing campaigns. In October 2013, we entered the deregulated coach market with the ADAC Postbus. Over and above the eye-catching design of the coaches in Deutsche Post yellow, advertising in this early phase is primarily concentrated on regional communication in the areas where we are expanding our network of bus routes.

Global online DHL BRAND campaign

Building on the worldwide digital strategy for the DHL brand that was developed in the previous year, we have set our global marketing campaign on a new online course: since the autumn of 2013, we have, for example, advertised our online benchmarking tool on banners in international business magazines. A tool which provides above all medium-sized companies with valuable exposure for their international business, whilst connecting them to the DHL brand.

Sponsorship establishes DHL's logistics expertise

DHL sponsorship goes beyond financial support; as a general principle, sponsorship must also underscore our logistics expertise. In addition to our existing global logistics partnerships – such as with Formula 1®, IMG Fashion Weeks and the *Leipzig Gewandhausorchester* – we showcased our brand at 130 events in more than 40 countries in 2013. For 2014, we have entered into a global logistics partnership with the new FIA Formula E World Championship, the world's first fully-electric car racing series. With effect from September 2014, DHL will handle the efficient and environmentally friendly transport of the vehicles and equipment to the ten race locations around the world.

POST-BALANCE-SHEET DATE EVENTS

Ordinary capital increase resolved

On 20 February 2014, the Board of Management, subject to the consent of the Supervisory Board, resolved upon an ordinary increase in capital from Authorised Capital 2013 by 656,915 no par-value shares in order to service the 2009 tranche of the share-based payment system for executives (Share Matching Scheme) due on 1 April 2014. The planned dividend payment will increase by €525,532 as a result.

OPPORTUNITIES AND RISKS

Overall Board of Management assessment of opportunity and risk situation

No foreseeable risk to the Group

Identifying opportunities and risks – and swiftly capitalising upon or counteracting them – is an important objective for our Group. This is why we already account for the anticipated impact of potential events and developments in our current business plan. The opportunities and risks reported here represent additional potential deviations from the Group's 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. No new risks have been identified that could have a potentially critical impact on the Group's result. Based on 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 54 f.

Opportunity and risk management processes

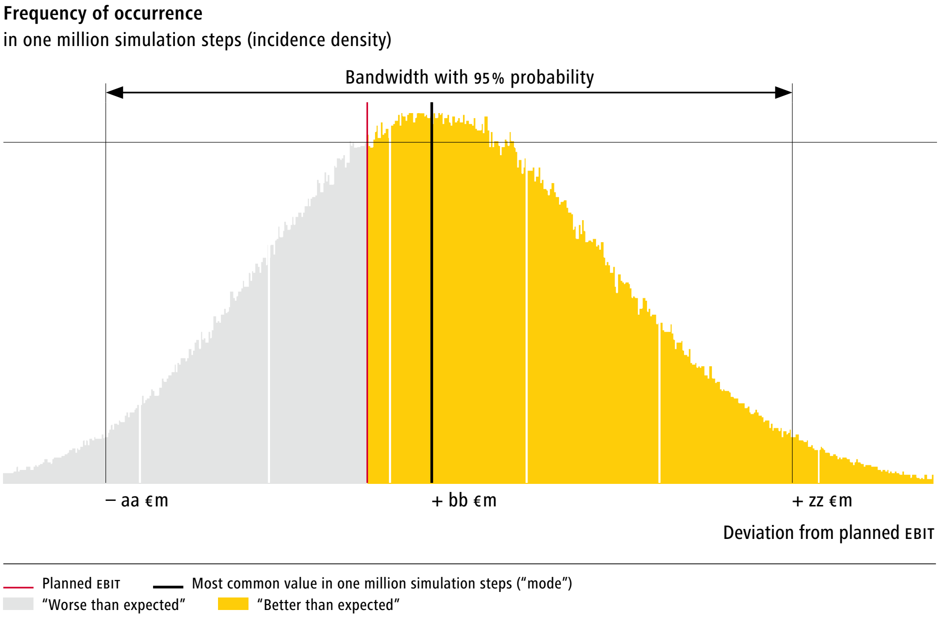
Uniform reporting standards for opportunity and risk management

As an internationally operating logistics company, we are faced with numerous changes. Our aim is to identify the resulting opportunities and risks at an early stage and 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.

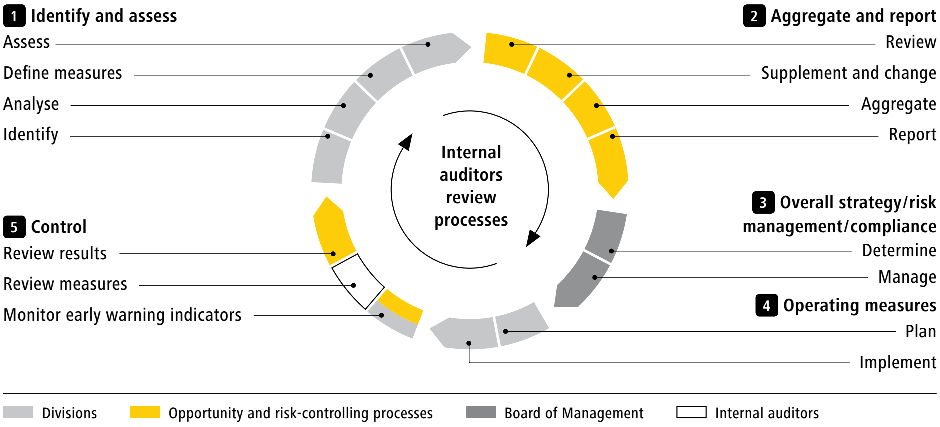
Our early identification process links the Group's opportunity and risk management with uniform reporting standards. We continuously improve the IT application used for this purpose. Furthermore, we use a Monte Carlo simulation for the purpose of aggregating opportunities and risks in standard evaluations.

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

A.80 Monte Carlo simulation



A.81 Opportunity and risk management process



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

1 **Identify and assess:** Opportunities and risks are defined as potential deviations from projected earnings. Managers in all divisions and regions provide an estimate of our opportunities and risks on a quarterly basis and document respective actions. They use scenarios to assess best, expected and worst cases. Each identified risk is assigned to one or more managers, who assess it, monitor it, specify possible procedures for going forwards and then file a report. The same applies to opportunities. The results are compiled in a database.

2 **Aggregate and report:** The controlling units responsible 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's 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 add the respective scenarios together. 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), number 5 of the *Handelsgesetzbuch* (HGB – German Commercial Code) and explanatory report)

Deutsche Post DHL uses an internal accounting control system to ensure that Group accounting adheres to generally accepted accounting principles. This system is intended to make sure that statutory provisions are complied with and that both internal and external accounting provide a valid depiction of business processes in figures. All figures are to be entered and processed accurately and completely. Accounting mistakes are to be avoided in principle and significant assessment errors uncovered promptly.

The control system design comprises organisational and technical measures that extend to all companies in the Group. Centrally standardised accounting guidelines govern the reconciliation of the single-entity financial statements and ensure that international financial reporting standards (EU IFRSs) are applied in a uniform manner throughout the Group. All Group companies are required to use a standard chart of accounts. 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 services centre in order to centralise and standardise them. The IFRS financial statements of the separate Group companies are recorded in a standard, SAP-based system and then processed at a central location where one-step consolidation is performed. Other components of our control system include automatic plausibility reviews and system validations of the accounting data. In addition, manual checks are carried out regularly at a decentralised level by those responsible locally (by a chief financial officer, for example) and at a central level by Corporate Accounting and Reporting, Taxes and Corporate Finance at the Corporate Center.

Over and above the aforementioned internal accounting control system and risk management structures, Corporate Internal Audit is an essential component of the Group's controlling and monitoring system. Using risk-based auditing procedures, Corporate Internal Audit regularly examines the processes related to financial reporting and reports its results to the Board of Management. Upstream and downstream checks and analyses of the reported data are performed under chronological aspects. If necessary, we call in outside experts, for instance in the case of pension provisions. Finally, the Group's standardised process for preparing financial statements using a centrally administered financial statements calendar guarantees a structured and efficient accounting process.

Reporting opportunities and risks

Identifying opportunities and risks – and swiftly capitalising upon or counteracting them – is a key objective for our Group. This is why we account for the anticipated impact of potential events and developments in our current business plan as well as in our revenue and earnings projection. In the following we primarily report those risks and opportunities which, from the current standpoint, could have an additional significant, potentially positive or negative, impact during the current forecast period.

We assess opportunities and risks based on their probability of occurrence and impact. Subsequently, we distinguish between opportunities and risks of low, medium and high relevance. We characterise opportunities and risks of medium and high relevance as significant.

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. 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, decentrally reported opportunities and risks are combined into categories 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 rather unlikely that a number of major risks in one category or across categories would occur at the same time.

Unless otherwise specified, within the current forecast period a low relevance is attached to individual opportunities and risks and a medium relevance to the respective categories. The opportunities and risks generally apply for all divisions, unless indicated otherwise.

Opportunities

Opportunities arising from market trends and our market position

A variety of external factors offer us numerous opportunities, indeed we believe that the global market will grow. Advancing globalisation means that the logistics industry will continue to grow at least as fast or faster than the world economy as a whole. This is especially true for Asia, where trade flows to other regions and in particular within the continent will continue to increase. As the market leader, our DHL divisions can generate above-average benefits from this. This also applies to regions such as South America and the Middle East, which continue to see robust growth. We are similarly well positioned in the emerging economies of Brazil, Russia, India, China and Mexico (BRIC+M) and will take advantage of opportunities arising in these markets.

Whether and to what extent the logistics market will grow is dependent 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. For this reason, customers want 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.

Glossary, page 218

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

Our customers want to improve their carbon efficiency and be supplied with information on their CO_2 emissions. Such an increase in environmental awareness presents new business potential: with our own mail, parcel and express products as well as air and ocean freight transport, we not only lead our industry in the areas of energy-efficient transport, transparent emissions reports and climate-neutral products, but we also offer customer-specific solutions to reduce carbon emissions.

Opportunities from improved internal processes

Objectives and strategies, page 31

Volumes and costs have a critical impact on our result. Should we succeed in aligning our internal processes to meet customer needs whilst simultaneously lowering costs, this could lead to positive deviations from current projections. We are steadily improving internal processes with the help of our First Choice initiatives. This improves customer satisfaction and reduces our costs at the same time. Our earnings projection already incorporates expected cost savings.

Opportunities from pending legal proceedings

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. It concluded that Deutsche Post AG had received illegal state aid, which it is to 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. Deutsche Post AG is of the opinion that the state aid decision cannot withstand legal review and has filed an appeal with the European Court of Justice. The Federal Republic of Germany has likewise 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 this 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 of €19.4 million and €15.6 million to the trustee on 2 January 2013 and 2 January 2014, respectively. The payments made were reported in the balance sheet under non-current assets; the earnings position remained unaffected. More information about the state aid investigation and the risks resulting from it as well as other legal proceedings is provided in the section Risks from pending legal proceedings as well as in the Notes.

Risks, page 98 f.
Note 53

On the other hand, the opportunity exists that the payment of €298 million and the payments of €19.4 million and €15.6 million made in addition – as well as the additional annual payments of around €19 million to be made in the future – will be returned if the appeals issued by Deutsche Post AG or the federal government against the state aid ruling are successful. A repayment would only affect the liquidity of Deutsche Post AG; the earnings position would remain unaffected.

Financial opportunities

Being a global operator also opens up opportunities for Deutsche Post DHL. For the specified period under review, these are mainly opportunities arising from fluctuating exchange rates from scheduled or planned future foreign currency transactions.

Significant currency risks from planned transactions are quantified as a net position over a rolling 24-month period. Highly correlated currencies are consolidated in blocks. The identified risks are hedged up to an average of 50% using derivatives over a 24-month period. The most important planned net surpluses at the Group level are in pound sterling, Japanese yen and Korean won, whilst 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 nearly offset and thus not actively managed. The average hedging level for the year 2014 was approximately 48% as at the reporting date. A potential devaluation of the euro presents an opportunity for the Group's earnings position. Based on current macroeconomic estimates, we consider this opportunity to be of low relevance. Further information on the financial position and finance strategy of the Group as well as on the management of financial risks is found in the report on the economic position and in the Notes.

Note 50

Risks

Risks arising from the political and regulatory environment

Glossary, page 218
Glossary, page 218

Risks associated with the general business environment primarily arise from the fact that the Group provides some of its services in a regulated market. A large number of postal services rendered by Deutsche Post AG and its subsidiaries are subject to sector-specific regulation by the Bundesnetzagentur (German federal network agency), pursuant to the Postgesetz (PostG – German Postal Act). The *Bundesnetzagentur* approves or reviews prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse.

On 14 November 2013, the *Bundesnetzagentur* determined the conditions for regulating mail prices requiring approval under the price-cap procedure from January 2014 to December 2018. According to the decision, the general rate of inflation less the productivity growth rate stipulated by the regulatory authority (X-factor) in the amount of 0.2% p.a. constitutes the key factor applicable to mail prices subject to approval. This would necessitate price reductions if the inflation rate in the reference period is lower than the productivity growth rate specified and permit price increases if the inflation rate in the reference period is higher than the productivity growth rate specified. On 2 December 2013, the *Bundesnetzagentur* approved the higher prices to be charged in 2014 for the products regulated under the price-cap procedure; as a result, this no longer represents a risk.

On 8 June 2013, the *Bundesnetzagentur* initiated market abuse proceedings against Deutsche Post InHaus Services GmbH, citing discriminatory access conditions for sorting and consolidation services following a complaint by one of the company's competitors. The party filing the complaint accused the company in particular of offering other postal services providers better conditions for posting and collection than it itself had been offered. Deutsche Post InHaus Services GmbH considers the accusations to be unfounded. The case is still under consideration by the *Bundesnetzagentur*. Should that agency determine – contrary to expectations – that market abuse has occurred, the company would have to desist from the actions in question. Due to the ongoing abuse proceedings, we are refraining from a risk assessment.

Risks arising from market and sector-specific conditions

Risks arising from market 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 individual regions. Despite the volatile economic climate, demand for logistics services rose in 2013, as did the related revenues. We are nonetheless not able to rule out the possibility of an economic downturn in specific regions and a stagnation or decrease in transport quantities. However, this would not reduce demand for our services in all business units. Indeed, the opposite effect could arise in the parcel business, for example, as a result of an increase in 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 mitigates the total effect. Therefore, we consider these risks to be medium at best. Moreover, we have taken measures in recent years to make costs more flexible and to be able 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 our high quality along with the cost savings we have generated in recent years, we believe that we shall be able to withstand the competition and keep any negative effects at a low level.

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 standards, procedures and guidelines based on ISO 27001, the international standard for information security management. In addition, Group Risk Management, IT Audit, Data Protection and Corporate Security monitor and assess IT risk on an ongoing basis. 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 two central data centres in the Czech Republic and Malaysia. Our systems are thus geographically separate and can be replicated locally.

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

All 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.

Due to the measures described above, we estimate the probability of a significant and momentous incident in the IT sector as being very unlikely so that the risk has an overall low relevance.

Our E-POST products – first and foremost E-Postbrief – come with our pledge of security and data protection. In 2013, the associated platform was re-certified by the German Federal Office for Information Security in accordance with its standards for *IT-Grundschutz*. In addition, it was again certified by TÜV Informationstechnik GmbH as compliant with the legal standards and applicable data protection regulations pursuant to the criteria for trusted site privacy.

Risks arising from internal processes

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

We furthermore use our First Choice methodology to continuously improve our processes and align them even more closely to the requirements of customers. Should this involve capital expenditure, the Board of Management decides on any sums in excess of €25 million. Board of Management committees make decisions on investments of more than €10 million, with a lower threshold of €5 million applying to Corporate Center/Other. The Board of Management is regularly informed about investment decisions so that they can identify any significant risk early on and take the necessary countermeasures.

As a service provider, we do not conduct research and development in a narrower sense. There are therefore no significant risks to report in this area.

As our operating business is organised decentrally and contingency plans are in place no significant risk to the Group was reported with respect to business disruptions arising from internal processes.

Risks arising from environmental management

Our Group-wide risk management also considers environmental developments. At present, we are not aware of any environmental risks that could have a significant impact on the Group.

Risks arising from human resources

It is the motivation and competence of our employees that make a good impression on our customers and thus shape our long-term success. Demographic change and increased competition for qualified specialists and executives mean that the pool of potential young talent is becoming smaller, particularly in our core market of Germany. The risk therefore exists that we may not be able to recruit and retain a sufficient number of suitable employees. We plan to take various measures to decrease this risk. For example, we place great importance on providing a motivational work environment and suitable professional and employee development programmes.

In many countries, both age and social structures are undergoing a notable shift. To adequately identify and counteract the resulting risk relating to employees' work capacity and ageing, we have developed an analysis and planning instrument known as Strategic Workforce Management, which supplies strategically well-founded answers based on fact. The Generations Pact entered into by Deutsche Post AG with the trade unions is geared specifically towards demographic conditions in Germany. It ensures that older employees can remain on the job whilst at the same time improving employment opportunities for young people.

Employees, page 76

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

Health and safety, page 78 f.

Financial risks

As a global operator, Deutsche Post DHL is inevitably exposed to financial risks. These are mainly risks arising from fluctuating exchange rates, interest rates and commodity prices. Using operational and financial measures, we try to reduce the volatility of financial figures due to financial risk.

Risks with respect to currencies may result from scheduled or planned future foreign currency transactions. Significant currency risks from planned transactions are quantified as a net position over a rolling 24-month period. Highly correlated currencies are consolidated in blocks. The identified risks are hedged up to an average of 50% using derivatives over a 24-month period. The most important planned net surpluses at the Group level are in pound sterling, Japanese yen and Korean won, whilst 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 nearly offset and thus not actively managed. The average hedging level for the year 2014 was approximately 48% as at the reporting date. The significant risk to the Group's earnings position would be a general appreciation of the euro. At present, we consider the individual risks arising from developments with regard to the respective currencies of low relevance and those in the currency risk category overall of medium relevance.

The key control parameters for liquidity management are the centrally available liquidity reserves, which should not fall below €2 billion. Deutsche Post DHL had central liquidity reserves of €4.6 billion as at the reporting date, consisting of central financial investments amounting to €2.6 billion plus a syndicated credit line of €2 billion. Therefore, the Group's liquidity is sound in the short and medium term. Moreover, the Group enjoys open access to the capital market 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 only €1.5 billion at the end of 2013. Given our existing interest rate hedging instruments, the share of variable interest rate liabilities in non-current financial liabilities in the amount of €4.6 billion is approximately 36%. At present, we consider liquidity and interest rate risks to be of low relevance.

As a logistics group, Deutsche Post DHL's significant commodity price risks result from changes in fuel prices (kerosene, diesel and marine diesel). In the DHL divisions, most of these risks were passed on to customers via operating measures (fuel surcharges). We only have noteworthy hedging instruments for the purchase of diesel in the MAIL division. At present, we consider commodity price risks to be of low relevance.

Further information on the financial position and finance strategy of the Group as well as on the management of financial risks is found in the report on the economic position and in the Notes.

Note 50

Risks from pending legal proceedings

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

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 state guarantees 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 said that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the price approval process led to Deutsche Post AG receiving a benefit, which it must repay to the Federal Republic of Germany; 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. 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 this 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 of €19.4 million and €15.6 million to the trustee on 2 January 2013 and 2 January 2014, respectively. The payments made 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, it initiated proceedings against the Federal Republic of Germany with the European Court of Justice to effect a higher repayment amount.

Although Deutsche Post AG and the federal government are of the opinion that the state aid decision 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.

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

Note 53

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. Although Deutsche Post AG is implementing the required measures to a large extent, the differing legal opinions on the part of Deutsche Post AG and the tax authorities will be judicially clarified.

In light of the announced legal proceedings, we have not undertaken a risk classification.

Risks arising from corporate strategy

Over the past years, the Group has ensured that its business activities are well positioned in the world's fastest growing regions and markets. We have also created 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 on 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. In the specified period under consideration, risks arising from the current corporate strategy, which extends over a long-term period, are considered to have a low relevance for the Group. In addition, the divisions face the following special situations:

In the MAIL 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 any significant potential to sustain a negative impact.

In the EXPRESS division, our future success depends above all on general factors such as trends in the competitive environment, costs and quantities transported. After having spent recent years successfully restructuring our business and substantially improving cost structures, we are focusing on fostering growth in our international business. We expect an increase in shipment volumes. Based on 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 risk for the EXPRESS division beyond that reported in the section entitled "Risks arising from market and sector-specific conditions".

In the GLOBAL FORWARDING, FREIGHT division we purchase transport services from airlines, shipping companies and freight carriers rather than providing them ourselves. As a result, in a worst-case scenario there is a risk that we shall not be able to pass on all price increases to our customers. The extent of the risk essentially depends on 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 minimise this risk, which is therefore considered to have a low relevance.

Our SUPPLY CHAIN division provides customers in a variety of industries with solutions along the entire logistics chain. Our success is highly dependent on our customers' business trends. Since we offer customers a widely diversified range of products in different sectors all over the world, we can diversify our risk portfolio and 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 risk for the SUPPLY CHAIN division beyond that reported in the section entitled "Risks arising from market and sector-specific conditions".

EXPECTED DEVELOPMENTS

Overall Board of Management assessment of the future economic position

Our strong position as market leader in the German mail and parcel business and in nearly all of our logistics activities is the best possible basis for further growth. The Board of Management expects consolidated EBIT to reach between €2.9 billion and €3.1 billion in financial year 2014 and world economic growth to be slightly above the previous year at best. A similar development is expected for world trade. The MAIL division is likely to contribute around €1.2 billion to consolidated EBIT. Compared with the previous year, we expect an additional improvement in overall earnings to between €2.1 billion and €2.3 billion in the DHL divisions. The Corporate Center/Other result should be better than €–0.4 billion. We expect to see a further positive development in EBIT after asset charge and operating cash flow, in line with the EBIT trend.

Forecast period

Outlook generally refers to 2014

The information contained in the report on expected developments generally refers to financial year 2014. However, in some instances we have chosen to extend the scope.

Future organisation

Parts of parcel business outside Germany consolidated in mail business

Our domestic parcel business in Poland, the Czech Republic, Belgium and the Netherlands was consolidated in the MAIL division, effective 1 January 2014. This business was previously part of the EXPRESS and GLOBAL FORWARDING, FREIGHT divisions.

Future economic parameters

Growth of global economy accelerates

Supported by the continuation of expansive monetary policies, the global economy began growing at an accelerated pace at the start of 2014, with the weak economic trend appearing to have bottomed out in many industrial countries. In addition, fiscal consolidation pressure has abated. The emerging economies with strong export sectors are expected to benefit from the upturn in the industrial countries. These countries are likely to continue to achieve significantly higher growth rates. Risks to global growth could emanate from the financial markets if the markets go ahead and price in interest rate hikes by central banks before the fact. A renewed sovereign debt crisis in the euro zone would also slow down growth substantially. On the other hand, global growth could develop stronger momentum than is currently anticipated.

A.82 Global economy: growth forecast

%	2013	2014
World trade volumes	**2.7**	**4.5**
Real gross domestic product		
World	3.0	3.7
Industrial countries	1.3	2.2
Emerging markets	4.7	5.1
Central and Eastern Europe	2.5	2.8
CIS countries	2.1	2.6
Emerging markets in Asia	6.5	6.7
Middle East and North Africa	2.4	3.3
Latin America and the Caribbean	2.6	3.0
Sub-Saharan Africa	5.1	6.1

Source: International Monetary Fund (IMF) World Economic Outlook, January 2014 update. Growth rates calculated on the basis of purchasing power parity.

The Chinese export economy is expected to benefit from rising global demand. In addition, the Chinese government has adopted a number of reforms aimed at accelerating growth. However, investments could be hurt by overcapacities. Forecasts for GDP growth are therefore mixed (IMF: 7.5%, OECD: 8.2%; Global Insight: 8.0%). In Japan, export activity is expected to pick up significantly in 2014. A continued revival in domestic demand is also anticipated. However, the pending substantial increase in value added tax is likely to put the brakes on private consumption temporarily. For that reason, GDP will presumably grow at the same rate as in the previous year (IMF: 1.7%, OECD: 1.5%; Global Insight: 1.8%).

The United States is likely to experience a significant improvement in the situation on the labour market, which would benefit private consumption. The major drivers of this development are again expected to be construction spending and corporate investment. Foreign trade is also expected to revive. GDP growth will presumably accelerate noticeably overall (IMF: 2.8%, OECD: 2.9%; Global Insight: 2.5%).

In the euro zone, the economy is forecast to continue its gradual recovery, with the improvement in the economic climate benefiting exports. Private households are expected to obtain relief from tax increases, which should act to drive private consumption. Companies are also likely to increase their capital expenditure again. On the whole, however, GDP growth is expected to be moderate (IMF: 1.0%, ECB: 1.1%; Global Insight: 0.8%).

Early indicators suggest that the upturn in Germany will continue. Exports are increasing, and companies are upping their capital expenditure. This could lead to an increase in investments in machinery and equipment as well as construction spending along with a rise in the number of employed persons and a corresponding decrease in the unemployment rate. This would lay the foundation for rising incomes and – assuming the inflation rate remains very low – an increase in private consumption. GDP is therefore likely to see significant growth (IMF: 1.6%, *Sachverständigenrat*: 1.6%; Global Insight: 1.8%).

Given a balanced ratio of supply to demand, the price of crude oil should remain stable for the most part in 2014.

The US Federal Reserve is expected to gradually reduce its purchases of government bonds. It is not anticipated that the Fed will raise its key interest rate. The ECB is also likely to leave its key interest rate at the current level. However, capital market interest rates could nonetheless rise moderately due to increasing economic momentum and reduced bond purchases by the US Federal Reserve.

World trade grows, thanks especially to Asia

The emerging markets in Asia are expected to play a significant role in the growth of global trade again in 2014. At 3%, growth in global trade volumes (transported quantity in tonnes) is forecast to be stronger overall in 2014 compared with 2013, due to the slight improvement in the economic climate in the industrial countries.

Mail business in the digital age

We expect the market for paper-based mail communication to shrink, although demand for communication in general will continue to rise. By introducing our E-Postbrief product, we have begun to use our expertise in physical communication to offer competent electronic communications and generate new business in the process. We have also prepared ourselves for continued, intense competition. At the beginning of 2014, we increased the postage for a standard domestic letter in accordance with the price-cap procedure. The higher prices reflect the general price trend.

Glossary, page 218

Glossary, page 218

According to forecasts by the *Zentralverband der deutschen Werbewirtschaft* (German advertising federation), the cyclical German advertising market will, for the most part, continue to remain stable in 2014. Advertising expenditures are increasingly being shifted from traditional to digital media. The trend towards targeted advertising and combinations with internet offers is likely to continue. Moreover, we expect companies to resort increasingly to cheaper forms of advertising. We intend to consolidate our position in the liberalised market for paper-based advertising and to expand our share in the advertising market as a whole by integrating online marketing.

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

The international mail market again benefited from the growing e-commerce sector. This is an area in which we aim to tap into new business related to our core competency: mail, parcels and small packages.

The parcel market will continue to grow both in Germany and internationally. We shall continue to drive this development and expand both our domestic and international market position with our own portals and shipping and delivery services.

International express business continues to grow

Experience shows that growth in the international express market is highly dependent on the economy. In light of the volume trend, we are optimistic that the express market will remain stable in 2014.

By using programmes to increase profitability and quality, we shall continue to improve our result. We are confident that we shall remain on course for growth and defend or even further strengthen our leading market position. Our global DHL brand campaign will also contribute to this.

Brands, page 86

Moderate market growth expected in the freight forwarding business

After the decline in output in some industry sectors led to weaker growth in freight volumes overall in 2013, forecasts now indicate that the situation in the air freight market could improve slightly in 2014.

Ocean freight capacities are expected to increase further because new vessels are being put into operation. At the same time, demand is likely to remain stable or rise slightly.

As in the reporting year, we expect European road transport volumes to grow slightly at best or even stagnate in 2014, which reflects the unaltered moderate economic forecasts for the region.

Supply Chain market remains robust

The trend towards outsourcing warehouse and distribution services continues. For this reason, projections indicate that the market for contract logistics will continue to experience stable growth of more than 5%. Many companies prefer to outsource their logistics, especially in periods of economic weakness with high cost pressure and increasingly complex supply chains. Demand for supply chain services is expected to see particularly strong growth in emerging markets such as China, India, Brazil and Mexico, where we benefit from a strong market position.

The market for marketing solutions and business process outsourcing is also likely to grow further. We anticipate strong growth for the Williams Lea business unit on the basis of both our strong service portfolio and the further development of our broad DHL customer base.

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

Revenue and earnings forecast

In light of the fact that the world economy again saw below average growth in the reporting year, we expect slight economic expansion at best in 2014. The global trading volumes relevant to our business are expected to perform similarly. We are therefore anticipating a corresponding revenue trend, with increasing revenue, particularly in the DHL divisions.

Against this backdrop, we expect consolidated EBIT to reach between €2.9 billion and €3.1 billion in financial year 2014. The MAIL division is likely to contribute around €1.2 billion to this. Compared with the previous year, we expect an additional improvement in overall earnings to between €2.1 billion and €2.3 billion in the DHL divisions. The Corporate Center/Other result should be better than €–0.4 billion.

In line with our Group strategy, we are targeting organic growth and anticipate only a few small acquisitions in 2014, as in the previous year.

We still intend to achieve the goals we set for the year 2015. Due to the allocation of parts of the parcel business outside Germany to the MAIL division that took effect on 1 January 2014, we are adjusting the anticipated earnings contributions for the year 2015 as follows. In the MAIL division, we now expect at least €1.1 billion rather than the previous estimate of at least €1 billion. Accordingly, we now anticipate the DHL divisions to make a contribution to earnings of between €2.6 billion and €2.8 billion.

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 27 May 2014, we intend to propose to the shareholders that a dividend per share of €0.80 be paid for financial year 2013 (previous year: €0.70).

Expected financial position

Creditworthiness of the Group at least adequate

In light of the earnings forecast for 2014, we expect the "FFO to debt" performance metric to remain on the whole stable and the rating agencies to rank our creditworthiness as adequate or even better.

Liquidity to remain solid

We anticipate a deterioration in our liquidity in the first half of 2014 as a result of the annual prepayment due to Bundes-Pensions-Service für Post und Telekommunikation and repayment of a bond that matured in January as well as the dividend payment for financial year 2013 in May 2014. 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. We are not currently planning any capital market transactions for 2014.

Investments of around €1.9 billion expected

In 2014, we plan to increase capital expenditure to approximately €1.9 billion. Our focus will remain on IT, machinery and transport equipment.

In the MAIL division, the continued expansion of our parcel network shall remain a top priority. Furthermore, we shall expand additional delivery options, such as Packstation, Paketbox and parcel boxes. Total capital expenditure in 2014 will exceed the reporting year, primarily because we intend to increase expansion of our mechanised delivery bases and investment in new parcel centres.

In the EXPRESS division, capital expenditure is expected to be above that of the previous year. We intend to expand existing resources and to invest in both mobile and stationary infrastructure.

In the GLOBAL FORWARDING, FREIGHT division, we envisage slightly lower investments for 2014, although we shall further expand our IT, in particular for the New Forwarding Environment project.

Objectives and strategies, page 34

In the SUPPLY CHAIN division, capital expenditure in 2014 is expected to be slightly above that of the reporting year. Investments will continue to focus on supporting new business projects and growth in our existing business.

Cross-divisional capital expenditure in 2014 is expected to remain well below the high level of the previous year; investments shall again be centred on our vehicle fleet and IT.

Development of further indicators relevant for internal management

EAC and operating cash flow demonstrate positive trend

With regard to the EBIT after asset charge financial performance metric and operating cash flow, we expect to see a further positive development in financial year 2014 in line with the respective EBIT trend. Here, the continuing rise in business volume may result in an increase in working capital within the individual divisions.

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 2014, we expect to see a slight increase to 71% in the approval rating for the key performance indicator "Active Leadership".

Transparent presentation of greenhouse gas efficiency

We intend to increase transparency in our greenhouse gas efficiency because it is the target of our GoGreen environmental protection programme. It will be measured using a CO_2 Efficiency Index (CEX), which is based on division and business unit-specific emission intensity figures that show the ratio of the respective emissions to a matching performance indicator. In future, we shall report on this performance metric on a regular basis as an additional non-financial indicator relevant for internal management.

CORPORATE GOVERNANCE

107 —— 132

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b CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

WULF VON SCHIMMELMANN
Chairman

DEAR SHAREHOLDERS,

In the 2013 financial year, Deutsche Post DHL performed well in what continued to be a challenging economic environment in its capacity as provider, investment and employer of choice in its market.

Advising and overseeing the Board of Management

In 2013, the Supervisory Board scrutinised Group and divisional strategy and results in light of the global economic situation at five Supervisory Board meetings and one closed meeting. To this end, the Board of Management provided the Supervisory Board with detailed up-to-date information on the situation and performance of the Group, strategic initiatives and key business transactions, the development of acquisitions, compliance management, as well as risk exposure and risk management, and issues related to planning and implementation. Between meetings, the Chairman of the Supervisory Board was also kept abreast of ongoing developments.

Measures requiring the consent of the Supervisory Board were discussed in even greater depth, and in advance by the relevant committees. The results of the deliberations were presented by the respective committee chairs in the plenary meetings.

Five meetings during the reporting year

Three Supervisory Board meetings took place during the first half of the year and two in the second. All members participated in at least 50% of the meetings. The overall participation rate exceeded 90%.

At the financial statements meeting on 4 March 2013, with the auditors in attendance, the annual and consolidated financial statements and the management reports for 2012 were discussed in detail and approved. After a thorough review, we endorsed the Board of Management's proposal for the appropriation of the unappropriated surplus for the 2012 financial year. At this meeting, the Board of Management's achievement of its targets for the 2012 financial year was also assessed and the Supervisory Board's proposed resolutions for the Annual General Meeting (AGM) were adopted. In addition, we discussed the outcome of the review on the efficiency of the Supervisory Board's work. The Supervisory Board also looked in detail at EXPRESS aviation strategy at this meeting.

As a number of members of the Supervisory Board had previously been re-elected, an extraordinary meeting of the Supervisory Board was held immediately after the Deutsche Post AG AGM on 29 May 2013, where the members of the Supervisory Board re-elected Andrea Kocsis as deputy chair and me as chairman of the Supervisory Board. The meeting also confirmed the positions of all committee members. Details of the current members of the Supervisory Board committees are shown on page 113.

At the meeting of the Supervisory Board on 27 June 2013, we discussed measures aimed at optimising Deutsche Post AG's investment portfolio. Matters relating to the Board of Management were also dealt with at this meeting, in particular the remuneration of its members and the extension of Roger Crook's appointment to the Board and of his contract for a further five years. We also considered the New Forwarding Environment (NFE) strategic project within the Global Forwarding business unit in great detail. Under the new IT-based operating model, Global Forwarding will become a single, internationally homogeneous organisation, with a clear customer focus, efficient processes and high standards of quality.

On 24 September 2013, Directors' Day, selected speakers were invited to provide basic and further training to the members of the Supervisory Board. At the meeting of the Supervisory Board that followed, changes in the regulatory environment were the main focus of discussions. The Supervisory Board also discussed the Group's external image in the market, with the help of external guest speakers, specialising in the fields of customers, investors, media and the labour market. On 25 September 2013, the current status of Strategy 2015 implementation within the Group and the divisions was the main point on the agenda.

The Supervisory Board's final meeting of 2013 was held on 13 December. Following extensive discussions, we adopted the 2014 business plan and also considered various aspects of the Board of Management's remuneration. Furthermore, the Board of Management's targets for 2014 were set and the formation of a Strategy Committee agreed upon. Following in-depth discussions, we again submitted an unqualified Declaration of Conformity with the German Corporate Governance Code.

Hard work by the committees

The Executive Committee met four times during the year under review. Meeting agendas focused primarily on matters relating to the Board of Management and preparations for the respective Supervisory Board meetings.

The Personnel Committee also met four times and considered the reorganisation of the Human Resources board department, diversity management and activities in the areas of training, health and employee commitment. The committee received ongoing updates regarding the progress of the One HR programme, which is reorganising the content and structure of the Group's personnel activities. It also considered the remuneration structure for executives. The annual employee opinion survey was also discussed.

The Finance and Audit Committee met seven times. Its chairman, Hero Brahms, and Stefan Schulte are financial experts as defined by sections 100 (5) and 107 (4) of the *Aktiengesetz* (AktG – German Stock Corporation Act). At its meeting in February, the committee examined the annual and consolidated financial statements for 2012 and recommended that these be approved by a plenary meeting of the Supervisory Board. The auditors took part in this meeting and gave a detailed presentation on their findings regarding the key audit priorities set by the committee for 2012, along with recommendations arising from their findings. Following the AGM, the Finance and Audit Committee engaged the auditors to perform an audit of the 2013 annual and consolidated financial statements and the interim financial report for the first half of the year. The committee also defined the key audit priorities. In advance of their publication, the reviewed quarterly financial reports and the interim financial report for the first half of the year were discussed by the committee together with the Board of Management and the auditors. The main risk factors for the Group were also discussed at the February meeting as planned.

At its meeting on 20 June 2013, the Finance and Audit Committee considered the planned acquisition of companies and holdings aimed at optimising Deutsche Post AG's investment portfolio. The committee received ongoing updates about other acquisitions and disposals throughout the year. The committee's deliberations included the acquisition of optivo GmbH, a leading German provider of e-mail marketing services. The results of internal audits were also discussed by the committee.

At its meeting on 13 September 2013, the Finance and Audit Committee received a detailed progress report on compliance organisation and compliance management from the Chief Compliance Officer. The main risk factors for the Group were also discussed further.

On 4 December 2013, the Finance and Audit Committee considered the Group's investment strategy for pension assets as well as equity transactions. It also examined the business plan for 2014 and approved both the 2014 internal audit plan and the sale of property in Hamburg. The committee regularly discussed the Group's business development and the internal control and risk management system. The appropriateness of the Group's accounting system was discussed with the auditors by the committee.

The Strategy Committee that was set up in December 2013 will meet for the first time in 2014.

The Nomination Committee met on one occasion in 2013 to consider nominations for the 2014 AGM.

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

In 2013 there were no meetings of the Mediation Committee, formed pursuant to section 27 (3) of the *Mitbestimmungsgesetz* (MitbestG – German Co-determination Act).

No changes to the composition of the Supervisory Board and Board of Management

There were no changes to the members of the Board of Management or the Supervisory Board during 2013. At the Deutsche Post AG AGM on 29 May 2013, I was re-elected as a shareholder representative on the Supervisory Board. The end of the AGM also marked the start of a new term of office for the Supervisory Board's employee representatives who were re-elected in April 2013 by the Delegate Assembly, in accordance with the MitbestG. At its extraordinary meeting immediately after the AGM, the Supervisory Board re-elected Andrea Kocsis as deputy chair and I was re-elected as chairman of the Supervisory Board. The meeting also confirmed the positions of all committee members. Details of the current members of the Supervisory Board committees are shown on page 113.

Managing conflicts of interest

No conflicts of interest arose during the reporting year.

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

In December 2013, the Board of Management and the Supervisory Board submitted an unqualified Declaration of Conformity pursuant to section 161 of the AktG and published it on the company's website. The declarations from previous years can also be viewed on this website. In the 2013 financial year, Deutsche Post AG complied with all the recommendations of the Government Commission on the German Corporate Governance Code, as amended on 15 May 2012, and also intends to comply with the recommendations of the code as amended on 13 May 2013. The Corporate Governance Report (page 117 ff.) contains further information on corporate governance within the company and the remuneration report.

Annual and Consolidated Financial Statements audited

The auditors appointed by the AGM, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, audited the annual and consolidated financial statements for the 2013 financial year, including the respective management reports, and issued unqualified audit opinions. PwC also conducted the review of the quarterly financial reports and the interim report for the first half of the year.

Following a detailed preliminary assessment by the Finance and Audit Committee, the Supervisory Board reviewed the annual and consolidated financial statements and the management reports for the 2013 financial year at the financial statements meeting held on 11 March 2014. The review included the Board of Management's proposal for the appropriation of the unappropriated surplus. The auditors' reports were made available to all Supervisory Board members and were discussed in detail with the Board of Management and the auditors in attendance. The Supervisory Board concurred with the results of the audit and approved the annual and consolidated financial statements for the 2013 financial year. Based on the final outcome of the examination of the annual and consolidated financial statements, of the management reports and of the proposal for the appropriation of the unappropriated surplus by the Supervisory Board and the Finance and Audit Committee, there are no objections to be raised. The Supervisory Board endorses the Board of Management's proposal for the appropriation of the unappropriated surplus and the payment of a dividend of €0.80 per share.

We would like to thank the Board of Management and all employees for their great commitment and ongoing effort to safeguarding the company's continued success. The Supervisory Board is confident that the Group is well on the way to ensuring that it remains profitable in the long term, building on its strong position in the market.

Bonn, 11 March 2014
The Supervisory Board

Wulf von Schimmelmann
Chairman

SUPERVISORY BOARD

B.01 Members of the Supervisory Board

Shareholder representatives

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

Hero Brahms
Management consultant

Werner Gatzer
State Secretary, Federal Ministry of Finance

Prof. Dr Henning Kagermann
Former CEO of SAP AG

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

Roland Oetker
Managing Partner, ROI Verwaltungsgesellschaft mbH

Dr Ulrich Schröder
CEO of KfW Bankengruppe

Dr Stefan Schulte
Chair of the Executive Board of Fraport AG

Elmar Toime
Managing Director, E Toime Consulting Ltd.

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

President and Provost/Vice President 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

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

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

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

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

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

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

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

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

B.02 Committees of the Supervisory Board

Executive Committee

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

Finance and Audit Committee

Hero Brahms (Chair)
Stephan Teuscher (Deputy Chair)
Werner Gatzer
Thomas Koczelnik
Dr Stefan Schulte
Helga Thiel

Personnel Committee

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

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

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

Nomination Committee

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

Strategy Committee (since 13 December 2013)

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

BOARD OF MANAGEMENT

KEN ALLEN
EXPRESS

Born in 1955
Member since February 2009
Appointed until February 2017

BRUCE EDWARDS
SUPPLY CHAIN

Born in 1955
Member since March 2008
Appointed until March 2016

ROGER CROOK
GLOBAL FORWARDING, FREIGHT

Born in 1957
Member since March 2011
Appointed until March 2019

ANGELA TITZRATH
HUMAN RESOURCES

Born in 1966
Member since May 2012
Appointed until April 2015

DR FRANK APPEL
CHIEF EXECUTIVE OFFICER

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

JÜRGEN GERDES
MAIL

Born in 1964
Member since July 2007
Appointed until June 2015

MANDATES

B.03 Mandates held by the Board of Management

Membership of supervisory boards required by law	Membership of comparable bodies	
Lawrence Rosen Deutsche Postbank AG	**Ken Allen** DHL-Sinotrans International Air Courier Ltd[1], China (Board of Directors) **Roger Crook** DHL Global Forwarding Management (Asia Pacific) Pte Ltd[1], Singapore (Board of Directors)	**Bruce Edwards** Ashtead plc, UK (Board of Directors) Greif, Inc., USA (Board of Directors) Williams Lea Group Limited[1], UK (Board of Directors) Williams Lea Holdings PLC[1], UK (Board of Directors, Chair) **Lawrence Rosen** Qiagen N.V. (Supervisory Board) (since 26 June 2013)

[1] Group mandate.

B.04 Mandates held by the Supervisory Board

Shareholder representatives		Employee representatives
Membership of supervisory boards required by law	**Membership of comparable bodies**	**Membership of supervisory boards required by law**
Prof. Dr Wulf von Schimmelmann (Chair) Allianz Deutschland AG Maxingvest AG **Hero Brahms** Georgsmarienhütte Holding GmbH (Deputy Chair) Krauss-Maffei-Wegmann GmbH & Co. KG Live Holding AG (Chair) (until 15 January 2014) Telefunken SE (until 31 December 2013) **Werner Gatzer** Bundesdruckerei GmbH Flughafen Berlin-Schönefeld GmbH **Prof. Dr Henning Kagermann** BMW AG Deutsche Bank AG Franz Haniel & Cie. GmbH Münchener Rückversicherungs-Gesellschaft AG **Roland Oetker** Evotec AG **Dr Ulrich Schröder** DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH Deutsche Telekom AG **Elmar Toime** message AG (Chair) (until 13 September 2013) **Prof. Dr-Ing. Katja Windt** Fraport AG	**Prof. Dr Wulf von Schimmelmann** (Chair) Accenture Corp., Ireland (Board of Directors) Thomson Reuters Corp., Canada (Board of Directors) Western Union Company, USA (Board of Directors) **Hero Brahms** Zumtobel AG, Austria (Supervisory Board, Deputy Chair) **Prof. Dr Henning Kagermann** Nokia Corporation, Finland (Board of Directors) Wipro Ltd., India (Board of Directors) **Roland Oetker** Rheinisch-Bergische Verlagsgesellschaft mbH (Supervisory Board) **Dr Ulrich Schröder** "Marguerite 2020": European Fund for Energy, Climate Change and Infrastructure (Supervisory Board) **Elmar Toime** Blackbay Ltd., United Kingdom (Non-Executive Director) (until 5 July 2013) Postea Inc., USA (Non-Executive Chairman)	**Rolf Bauermeister** Deutsche Postbank AG **Andreas Schädler** PSD Bank Köln eG (Chair) **Stephan Teuscher** DHL Hub Leipzig GmbH (Supervisory Board, Deputy Chair) **Helga Thiel** PSD Bank Köln eG (Deputy Chair)

CORPORATE GOVERNANCE REPORT

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

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

dpdhl.com/en/investors

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

In December 2013, the Board of Management and the Supervisory Board again submitted an unqualified Declaration of Conformity pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act), which reads as follows:

"The Board of Management and the Supervisory Board of Deutsche Post AG declare that the recommendations of the Government Commission German Corporate Governance Code in the version dated 15 May 2012 have been complied with since issuance of the Declaration of Conformity in December 2012 and that it is intended to comply with all recommendations of the code in the version dated 13 May 2013 in the future."

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

Specific corporate governance practices

With the guiding principle of "respect and results", we set our corporate governance the daily challenge of achieving first-class results whilst adhering to our sense of responsibility for the needs of our employees and customers. We put our knowledge and global presence to good use to make a positive contribution to the environment and society. We concentrate these efforts on environmental protection, disaster management and education. We also support the voluntary work of our employees.

The results of our annual, Group-wide employee opinion survey continue to be very positive. With a participation rate of 77%, slightly fewer employees took part than in the previous year because we have changed our communication and reporting methods.

Employees, page 74

The annual survey of private customers carried out by the *Kundenmonitor Deutschland* independent market study shows that 95% (previous year: 96%) of our customers are satisfied with Deutsche Post's postal services. We achieved excellent results in letter transit times within Germany. According to surveys conducted by the quality research institute Quotas, we exceeded the 80% legal requirement by a wide margin: 94% of the letters we received during our daily opening hours or before final post box collections were delivered the next day.

Code of Conduct, diversity and compliance management

Corporate responsibility, page 79 ff.

The Group's Code of Conduct has been applicable in all regions and all divisions since the middle of 2006. In view of changing legal and social requirements, the Group updated the Code of Conduct. The code now places particular emphasis on our respect for human rights, our opposition to all forms of forced and child labour and our respect for basic principles and rights in the working environment, in accordance with national laws and conventions. The corporate responsibility section has also been updated.

Deutsche Post DHL's Code of Conduct lays down guidelines for day-to-day workplace conduct and is applicable in all regions and divisions. It covers issues ranging from quality, our relationship with our customers and standards on co-operation and integrity in our business practices, to corporate responsibility and the environment. Both the full Code of Conduct and a simplified text version are available to staff in 21 languages. There is also a web-based training course.

The Code of Conduct is underpinned by further guidelines: the anti-corruption policy gives clear instructions on how to handle gifts, benefits and offers of hospitality. The competition compliance policy gives specific guidelines on the prohibition of agreements with competitors. The Code of Conduct for suppliers is included in all procurement contracts and existing long-term framework agreements. It obliges companies that work with us to adhere to ethical and ecological standards. A ban on child and forced labour is in place. Salaries and working times must comply with national laws and regulations.

In mid-2013, Deutsche Post AG's Board of Management adopted its statement on Diversity & Inclusion. One topic covered by this statement is our strategic approach to women in management positions. Since the end of 2011, we have been implementing a package of measures to increase the proportion of women in management positions on a sustainable basis. We have made a formal commitment to achieving this, introduced a system of key indicators, set up mentoring programmes, provided support for women's networks and worked continually to improve work-family balance. We have also made a diversity training course available to executives throughout the Group which focuses on this topic. As at 31 December 2013, the proportion of women in managerial positions around the world stood at 19.6 % – up two percentage points compared with 2011, when the "Women in Management Positions" project was started.

The Supervisory Board supports the Group's diversity strategy, with a particular focus on the objective of increasing the number of women on the Board of Management. It sees the efforts for greater diversity as being part of long-term succession planning, for which the Supervisory Board and Board of Management are jointly responsible. In the opinion of the Supervisory Board, the targeted increase in the number of women in executive positions is necessary to ensure that, overall, more suitable female candidates are available for vacant positions on the Board of Management. The international composition of the Board of Management already strongly reflects the global activity of the company.

Page 78 f.

We consider the health and safety of our employees to be prerequisites for performance and motivation and a key factor in the company's continued success. Our Group health and safety strategy is based on the Healthy Workplace model launched by the World Health Organisation. It integrates the four areas of workplace design, corporate culture, improving the health resources available to individuals and supporting the society as a whole. Each year we recognise exemplary initiatives with our Corporate Health Award.

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

One of the main functions of compliance management at Deutsche Post DHL is to implement a systematic process which allows for the identification of potential compliance risks, the evaluation of compliance matters relating to business partners, co-ordinated reporting of any breaches of law or guidelines, the management of guidelines and the development and implementation of training and communication on compliance. We made changes to our compliance hotline in 2013. It is available in around 150 countries and assists employees in reporting breaches of law or the Code of Conduct within the company; it also provides a structure for addressing and resolving breaches. The insights gained from breaches that are reported are used to improve the compliance management system on an ongoing basis. In addition, further steps were taken to improve Group-wide communication on compliance matters, in order to remind employees of their relevance and brief them specifically on the Code of Conduct.

Working methods of the Board of Management and the Supervisory Board

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

Members, page 114 f., Mandates, page 116

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

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

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

The Supervisory Board advises and oversees the Board of Management and appoints the members of the Board of Management. It has established rules of procedure that include the fundamental principles of its internal structure, a catalogue of Board of Management transactions requiring its approval and rules for the Supervisory Board committees. It meets at least twice every six months in a calendar year, with special

Members, page 113 f., Mandates, page 116

Page 113

Page 109 ff.

meetings held whenever particular developments or measures need to be discussed or decided quickly. In financial year 2013, the Supervisory Board met for five plenary meetings, 16 committee meetings and one closed meeting, as described in the Report of the Supervisory Board.

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

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

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

Executive committees and Supervisory Board committees

Executive committees prepare the decisions to be made by the Board of Management as a whole and make decisions on matters assigned to them. Their duties include preparing or deciding on investments and transactions in the various divisions. The Deutsche Post Executive Committee is responsible for the MAIL division, the cross-divisional DHL Executive Committee is in charge of the EXPRESS, GLOBAL FORWARDING, FREIGHT and SUPPLY CHAIN divisions, and 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, while the board members for the divisions are represented on the committees in matters relating to their divisions. Along with the relevant members of the Board of Management, the executive committees also include first-tier executives below the Board of Management level. Depending upon the matter being discussed, other executives also attend the meetings. Procurement and Controlling are called in to consult on capital expenditure, for instance, and Corporate Finance, Corporate Development and Legal Services in the case of acquisitions. The DHL Executive Committee and the Deutsche Post Executive Committee each meet at least once a month; the CC & GBS Executive Committee usually meets every quarter.

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

Pages 114 f. and 116

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

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

The Executive Committee's duties include arranging the appointment of members of the Board of Management and determining the remuneration of the Board of Management at the plenary meeting of the Supervisory Board. 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 as well as the financial statement audit. It examines questions of compliance, discusses the half-yearly and quarterly financial reports with the Board of Management before they are published, and prepares plenary meeting resolutions on company acquisitions or disposals that require approval. Based on its own preliminary assessment, it makes proposals for the approval of the annual and consolidated financial statements by the Supervisory Board. The members of the Finance and Audit Committee for 2013 were Hero Brahms (Chair), Stephan Teuscher (Deputy Chair), Werner Gatzer, Thomas Koczelnik, Stefan Schulte and Helga Thiel. Hero Brahms and Stefan Schulte are financial experts as defined by sections 100(5) and 107(4) of the AktG. Both have many years' experience as CFOs of various companies. The chairman of the Finance and Audit Committee, Hero Brahms, has been CFO at a number of companies since 1982, most recently at Linde AG, where he was responsible for balance sheets, taxation, business management, audits, finance and personnel. Between 2001 and 2003 Stefan Schulte was a member of the board responsible for finance at Deutz AG, and between 2003 and 2007 he was the member of the Board of Management responsible for finance at Fraport AG, where he has served as CEO since 2009.

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

The Mediation Committee carries out the duties assigned to it pursuant to the *Mitbestimmungsgesetz* (MitbestG – German Co-determination Act). The 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 potential shareholder members of the Supervisory Board eligible for election at the AGM. In doing so, it takes into consideration the objectives adopted by the Supervisory Board concerning its composition. The members of the Nomination Committee are Wulf von Schimmelmann (Chair), Werner Gatzer and Roland Oetker.

The Strategy Committee was set up in December 2013 and will prepare material for discussion by the Supervisory Board relating to strategic matters and any new activities the company is to undertake, or existing activities that it will discontinue. It will also hold regular discussions on the competition faced by the company. The members of the Strategy Committee are Wulf von Schimmelmann (Chair), Andrea Kocsis (Deputy Chair), Rolf Bauermeister, Henning Kagermann, Thomas Koczelnik and Ulrich Schröder.

Information about the work of the Supervisory Board and its committees in financial year 2013 is also contained in the Report of the Supervisory Board. You can find information about the members of the Supervisory Board and the composition of the Supervisory Board committees under the sections Supervisory Board and Mandates held by the Supervisory Board.

Page 109 ff.

Members, page 113,
Mandates, page 116

Targets for the composition of the Supervisory Board

The Supervisory Board set specific targets for its composition in December 2010, adding a further objective relating to the number of independent members of the Supervisory Board in December 2012:

1. The candidate proposals of the Supervisory Board to the General Meeting for the election of Supervisory Board members shall be made in the interest of the enterprise only. Within this framework, the Supervisory Board aims to ensure that on the entire Supervisory Board the share of independent members of the Supervisory Board within the meaning of section 5.4.2 of the German Corporate Governance Code shall be at least 75% and the share of female representation in the year 2015 shall be 30%.
2. The international activity of the enterprise is already adequately reflected in the composition of the Supervisory Board. The Supervisory Board aims at maintaining this and will therefore, in future proposals to the General Meeting, consider candidates, whose origin, education or professional experience, equip them with special international knowledge and experience.
3. Conflicts of interest of Supervisory Board members are an obstacle to independent and efficient counselling and supervision of the Board of Management. The Supervisory Board decides in each case in accordance with the law and in due consideration of the German Corporate Governance Code, how to deal with potential or actual conflicts of interest.
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 shall consider the fact that the term of office shall end no later than the close of the Annual General Meeting after the Supervisory Board member reaches the age of 72.

The composition of the Supervisory Board remained unchanged during the reporting period and is in accordance with the above-mentioned targets. As a result of the re-election of all employee representatives by the Delegate Assembly in April 2013 and the re-election of Wulf von Schimmelmann by the AGM in May 2013, the composition of the Supervisory Board did not change. The current composition of the Supervisory Board exceeds the objective relating to the number of independent members. In respect of the other objectives, the Supervisory Board was able to maintain the satisfactory level which had already been achieved. There are six female members of the Supervisory Board, meaning that women currently make up 30% of its members. The present composition of the Supervisory Board adequately reflects the company's international operations. Numerous members possess special international knowledge and experience.

The AGM due to take place in May 2014 will duly elect or re-elect four shareholder representatives to the Supervisory Board. The nominations put forward by the Supervisory Board to the AGM takes into account the fact that Hero Brahms, who has rendered a significant contribution to the Supervisory Board over many years, both as a member of the Presidium and as chair of the Finance and Audit Committee, will not be standing for re-election due to the specified upper age limit. In putting forward its nominations, the Supervisory Board has set itself the goal of increasing the proportion of women on the Supervisory Board.

Remuneration report

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

Remuneration structure of the Group Board of Management in financial year 2013

The remuneration paid to individual Board of Management members for financial year 2013 was determined by the Supervisory Board, which held consultations to resolve on the remuneration system for the Board of Management, including the main contractual elements. In so doing it obtained advice from an independent remuneration consultant.

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

The remuneration paid to the Board of Management for 2013 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. Half of the variable remuneration consists of a long-term incentive plan with a four-year calculation period; the other half is made up of an annual bonus linked to the company's yearly profits, with 50% of the annual bonus flowing into a medium-term component with a three-year calculation period (deferral). Thus only 25% of the variable remuneration component is paid out on the basis of a one-year calculation. The 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.

In the reporting year, an addition was made to the criteria used to calculate the amount of the annual bonus. The Group's reported free cash flow is now included in the target agreements for all members of the Board of Management. Another key parameter for all Board of Management members is, as in previous years, 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 MAIL, GLOBAL FORWARDING, FREIGHT, EXPRESS and SUPPLY CHAIN divisions, the EAC of their respective division is also a key parameter. Furthermore, an employee-related target is agreed with all Board of Management members based on the annual employee opinion survey, as are additional targets.

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

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

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

Each SAR entitles the holder to receive a cash settlement equal to the difference between the average closing price of Deutsche Post shares for the five trading days preceding the exercise date and the exercise price of the SAR. In 2013, 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, the SARs can be exercised wholly or partially for a period of two years. Any SARs not exercised during this two-year period will expire.

To determine how many, if any, of the SARs granted can be exercised, the average share price or the average index value for the reference period is compared with that of the performance period. The reference period comprises the last 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%.

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

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

In accordance with the recommendation of section 4.2.3 of the German Corporate Governance Code, as amended on 13 May 2013, Board of Management contracts contain a provision stipulating that in the event of the premature termination of a Board of Management member's contract, the severance payment may compensate no more than the remaining term of the contract. The severance payment is limited to a maximum amount of two years' remuneration including fringe benefits (severance payment cap). The severance payment cap is calculated without any special remuneration or the value of rights allocated from long-term incentive plans.

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

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

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

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

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

Amount of remuneration paid to active members of the Group Board of Management in financial year 2013

The remuneration paid to active members of the Board of Management in financial year 2013 totalled €13.21 million (previous year: €13.30 million). This amount comprised €7.84 million in non-performance-related components (previous year: €7.64 million) and €5.37 million in the performance-related component paid out (previous year: €5.66 million). An additional €3.33 million of the performance-related component was transferred to the medium-term component and will be paid out in 2016 subject to the condition that the required EAC, as an indicator of sustainability, be reached.

The members of the Board of Management were granted a total of 1,984,818 SARS in financial year 2013 for a total value of €7.30 million (previous year: €7.04 million) at the time of issue (1 August 2013). The following tables present the total remuneration paid to active Board of Management members (individual breakdown):

B.05 Remuneration paid to the Group Board of Management in 2013: cash components

€	Non-performance related		Performance related			
Board members	Annual base salary	Fringe benefits	Annual bonus	Payout from medium-term component (2011)	Total	Share of annual bonus transferred to medium-term component (2013)[1]
Dr Frank Appel, Chairman	1,962,556	30,093	834,086	436,268	**3,263,003**	834,086
Ken Allen	930,000	97,403	453,375	208,708	**1,689,486**	453,375
Roger Crook	860,000	203,918	384,678	290,228	**1,738,824**	384,678
Bruce Edwards	930,000	124,884	446,493	421,317	**1,922,694**	446,493
Jürgen Gerdes	953,250	23,858	457,274	465,000	**1,899,382**	457,274
Lawrence Rosen	930,000	20,220	453,375	215,000	**1,618,595**	453,375
Angela Titzrath	715,000	61,234	303,875	–	**1,080,109**	303,875

[1] This amount will be paid out in 2016 provided the sustainability indicator is fulfilled.

B.06 Remuneration paid to the Group Board of Management in 2013: share-based component with long-term incentive effect

€ Active board members	Number of SARS	Value of SARS on grant date (1 Aug. 2013)
Dr Frank Appel, Chairman	533,304	1,962,559
Ken Allen	252,720	930,010
Roger Crook	233,700	860,016
Bruce Edwards	252,720	930,010
Jürgen Gerdes	265,356	976,510
Lawrence Rosen	252,720	930,010
Angela Titzrath	194,298	715,017

Remuneration paid to the Group Board of Management in the previous year (2012)

B.07 Remuneration paid to the Group Board of Management in 2012: cash components

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

[1] In financial year 2012, an additional €209,000 was paid out as compensation for rights that lapsed as a result of Mr Rosen's transfer to Deutsche Post AG. The compensation payment is described in the 2009 Annual Report.
[2] This amount will be paid out in 2015 provided the sustainability indicator is fulfilled.
[3] In financial year 2012, an additional €538,835 was paid out as compensation for rights that lapsed as a result of Ms Titzrath's transfer to Deutsche Post AG, as described above.

B.08 Remuneration paid to the Group Board of Management in 2012: share-based component with long-term incentive effect

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

Pension commitments under the previous system

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

Pensionable income consists of the 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.

B.09 Pension commitments under the previous system in financial year 2013: individual breakdown

	Pension commitments			
	Pension level on 31 Dec. 2013 %	Maximum pension level %	Service cost for pension obligation, financial year 2013 €	Present value (DBO) as at 31 Dec. 2013 €
Dr Frank Appel, Chairman	50	50	823,857	11,083,250
Jürgen Gerdes	25	50	244,254	4,749,766
Total			**1,068,111**	**15,833,016**

B.10 Pension commitments under the previous system in the previous year (2012): individual breakdown

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

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

Pension commitments under the new system

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

B.11 Board of Management pension commitments under the new system in financial year 2013: individual breakdown

€	Total contribution for 2013	Present value (DBO) as at 31 Dec. 2013	Service cost for pension obligation, financial year 2013
Ken Allen	325,500	1,397,841	318,826
Roger Crook	301,000	783,308	298,666
Bruce Edwards	325,500	1,852,506	327,236
Lawrence Rosen	325,500	2,396,295	321,414
Angela Titzrath	250,250	461,924	239,711
Total	**1,527,750**	**6,891,874**	**1,505,853**

B.12 Board of Management pension commitments under the new system in the previous year (2012): individual breakdown

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

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

Benefits for former Board of Management members

Benefits paid to former members of the Board of Management or their surviving dependents amounted to €4.4 million in financial year 2013 (previous year: €4.6 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs amounted to €72 million (previous year: €78 million).

Supervisory Board remuneration

Pursuant to article 17 of the Articles of Association of Deutsche Post AG resolved by the Annual General Meeting in the version applicable until 31 December 2013, the annual remuneration paid to the members of the Supervisory Board comprises a non-performance-related, i.e., fixed, component, a variable component geared towards sustainable corporate development and the attendance allowance.

As in the previous year, the fixed component amounted to €40,000. The variable remuneration component for financial year 2013 will amount to €1,000 for each €0.02 by which the consolidated net profit per share for financial year 2015 exceeds the consolidated net profit per share for financial year 2012. This variable remuneration component will fall due for payment as at the end of the 2016 AGM. The variable remuneration component is subject to a cap equal to 50% of the fixed component.

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

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 2013, consisting of a fixed component and the attendance allowance, totalled €1,416,833 (previous year: €1,461,500). The following table shows the remuneration paid to each Supervisory Board member:

B.13 Remuneration paid to Supervisory Board members in 2013

€

Board members	Fixed component	Attendance allowance	Total	Maximum variable remuneration (cap)[1]
Prof. Dr Wulf von Schimmelmann (Chair)	141,667	16,000	157,667	70,833
Andrea Kocsis (Deputy Chair)	120,833	13,000	133,833	60,416
Rolf Bauermeister	60,833	9,000	69,833	30,416
Hero Brahms	80,000	12,000	92,000	40,000
Heinrich Josef Busch	40,000	4,000	44,000	20,000
Werner Gatzer	80,000	12,000	92,000	40,000
Prof. Dr Henning Kagermann	40,833	3,000	43,833	20,416
Thomas Koczelnik	80,833	16,000	96,833	40,416
Anke Kufalt	40,000	5,000	45,000	20,000
Thomas Kunz	40,000	4,000	44,000	20,000
Roland Oetker	80,000	14,000	94,000	40,000
Andreas Schädler	40,000	5,000	45,000	20,000
Sabine Schielmann	40,000	5,000	45,000	20,000
Dr Ulrich Schröder	40,833	4,000	44,833	20,416
Dr Stefan Schulte	60,000	10,000	70,000	30,000
Stephan Teuscher	60,000	12,000	72,000	30,000
Helga Thiel	60,000	9,000	69,000	30,000
Elmar Toime	40,000	5,000	45,000	20,000
Stefanie Weckesser	60,000	9,000	69,000	30,000
Prof. Dr-Ing. Katja Windt	40,000	4,000	44,000	20,000

[1] This variable remuneration component will fall due for payment as at the end of the 2016 AGM after determination of the consolidated net profit per share for financial year 2015.

The AGM resolved on 29 May 2013 to modify the Supervisory Board remuneration as at 1 January 2014 and accordingly amended section 17 of the Articles of Association of Deutsche Post AG. The performance-related remuneration component is now no longer in force, and the fixed component increased to €70,000. All other provisions such as those relating to the attendance allowance and the percentage increases for the Supervisory Board chairman, the deputy chair and the committee chairs and committee members have remained the same.

The variable remuneration for financial year 2011 falls due for payment as at the end of the 2014 AGM if the consolidated net profit per share for financial year 2013 exceeds the consolidated net profit per share for financial year 2010. Since this condition was not met, no performance-related remuneration with a long-term incentive effect will be paid out for financial year 2011.

The remuneration for the previous year (2012), consisting of a fixed component and the attendance allowance, is shown in the following table for each Supervisory Board member:

B.14 Remuneration paid to Supervisory Board members in 2012

€

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

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

In addition, the variable remuneration for financial year 2010 was paid out in the previous year (2012) in the amount of €465,000, of which €41,875 was to Board members who have now left the company and €423,125 to active Board members. The following table shows the remuneration paid to each Supervisory Board member:

B.15 Variable remuneration paid to Supervisory Board members for 2010

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

C.01 INCOME STATEMENT

1 January to 31 December

€m	Note	2012 adjusted[1]	2013
Revenue	11	55,512	55,085
Other operating income	12	2,168	1,961
Total operating income		57,680	57,046
Materials expense	13	−31,863	−31,212
Staff costs	14	−17,770	−17,785
Depreciation, amortisation and impairment losses	15	−1,339	−1,341
Other operating expenses	16	−4,043	−3,847
Total operating expenses		−55,015	−54,185
Profit from operating activities (EBIT)		**2,665**	**2,861**
Net income from associates	17	2	2
Other financial income		657	182
Other finance costs		−1,078	−431
Foreign currency result		−37	−42
Net other finance costs	18	−458	−291
Net finance costs		**−456**	**−289**
Profit before income taxes		**2,209**	**2,572**
Income taxes	19	−447	−361
Consolidated net profit for the period	20	**1,762**	**2,211**
attributable to Deutsche Post AG shareholders		1,640	2,091
attributable to non-controlling interests	21	122	120
Basic earnings per share (€)	22	**1.36**	**1.73**
Diluted earnings per share (€)	22	**1.30**	**1.66**

[1] Note 4.

C.02 STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€m	Note	2012 adjusted[1]	2013
Consolidated net profit for the period		**1,762**	**2,211**
Items that will not be reclassified to profit or loss			
Change due to remeasurements of net pension provisions		–1,198	–50
IFRS 3 revaluation reserve		–2	–1
Other changes in retained earnings		2	1
Income taxes relating to components of other comprehensive income		8	36
Share of other comprehensive income of associates (after tax)		0	0
Total (after tax)		**–1,190**	**–14**
Items that may be subsequently reclassified to profit or loss			
IAS 39 revaluation reserve			
Changes from unrealised gains and losses		–12	77
Changes from realised gains and losses		0	0
IAS 39 hedging reserve			
Changes from unrealised gains and losses		–23	111
Changes from realised gains and losses		59	–49
Currency translation reserve			
Changes from unrealised gains and losses		0	–463
Changes from realised gains and losses		3	1
Income taxes relating to components of other comprehensive income	19	–7	–26
Share of other comprehensive income of associates (after tax)		–37	0
Total (after tax)		**–17**	**–349**
Other comprehensive income (after tax)		**–1,207**	**–363**
Total comprehensive income		**555**	**1,848**
attributable to Deutsche Post AG shareholders		435	1,738
attributable to non-controlling interests		120	110

[1] Note 4.

C.03 BALANCE SHEET

€m	Note	1 Jan. 2012 adjusted[1]	31 Dec. 2012 adjusted[1]	31 Dec. 2013
ASSETS				
Intangible assets	24	12,196	12,151	11,836
Property, plant and equipment	25	6,493	6,663	6,814
Investment property	26	40	43	33
Investments in associates	27	44	46	48
Non-current financial assets	28	729	1,039	1,124
Other non-current assets	29	280	298	184
Deferred tax assets	30	1,206	1,328	1,327
Non-current assets		**20,988**	**21,568**	**21,366**
Inventories	31	273	322	403
Current financial assets	32	2,498	252	821
Trade receivables	33	6,934	6,959	7,040
Other current assets	34	2,155	2,153	2,221
Income tax assets	35	239	127	168
Cash and cash equivalents	36	3,123	2,400	3,417
Assets held for sale	37	1,961	76	42
Current assets		**17,183**	**12,289**	**14,112**
Total ASSETS		**38,171**	**33,857**	**35,478**
EQUITY AND LIABILITIES				
Issued capital	38	1,209	1,209	1,209
Capital reserves	39	2,170	2,254	2,269
Other reserves	40	−456	−475	−819
Retained earnings	41	6,366	6,031	7,198
Equity attributable to Deutsche Post AG shareholders	42	9,289	9,019	9,857
Non-controlling interests	43	189	209	191
Equity		**9,478**	**9,228**	**10,048**
Provisions for pensions and similar obligations	44	6,055	5,216	5,017
Deferred tax liabilities	30	186	156	124
Other non-current provisions	45	2,117	1,943	1,574
Non-current provisions		8,358	7,315	6,715
Non-current financial liabilities	46	1,366	4,413	4,612
Other non-current liabilities	47	347	276	227
Non-current liabilities		1,713	4,689	4,839
Non-current provisions and liabilities		**10,071**	**12,004**	**11,554**
Current provisions	45	2,134	1,663	1,745
Current financial liabilities	46	5,644	403	1,328
Trade payables	48	6,168	5,991	6,392
Other current liabilities	47	4,106	4,004	3,981
Income tax liabilities	35	570	534	430
Liabilities associated with assets held for sale	37	0	30	0
Current liabilities		16,488	10,962	12,131
Current provisions and liabilities		**18,622**	**12,625**	**13,876**
Total EQUITY AND LIABILITIES		**38,171**	**33,857**	**35,478**

[1] Note 4.

C.04 CASH FLOW STATEMENT

1 January to 31 December

€m	Note	2012 adjusted[1]	2013
Consolidated net profit for the period attributable to Deutsche Post AG shareholders		1,640	2,091
Consolidated net profit for the period attributable to non-controlling interests		122	120
Income taxes		447	361
Net other finance costs		458	291
Net income from associates		−2	−2
Profit from operating activities (EBIT)		2,665	2,861
Depreciation, amortisation and impairment losses		1,339	1,341
Net income from disposal of non-current assets		−74	−22
Non-cash income and expense		−97	16
Change in provisions		−3,034	−505
Change in other non-current assets and liabilities		−53	−52
Income taxes paid		−527	−561
Net cash from operating activities before changes in working capital		**219**	**3,078**
Changes in working capital			
Inventories		−51	−104
Receivables and other current assets		−221	−670
Liabilities and other items		−150	690
Net cash used in/from operating activities	49.1	**−203**	**2,994**
Subsidiaries and other business units		39	32
Property, plant and equipment and intangible assets		225	177
Other non-current financial assets		35	32
Proceeds from disposal of non-current assets		299	241
Subsidiaries and other business units		−57	−37
Property, plant and equipment and intangible assets		−1,639	−1,389
Other non-current financial assets		−336	−68
Cash paid to acquire non-current assets		−2,032	−1,494
Interest received		46	42
Dividend received		0	14
Current financial assets		−10	−575
Net cash used in investing activities	49.2	**−1,697**	**−1,772**
Proceeds from issuance of non-current financial liabilities		3,176	1,010
Repayments of non-current financial liabilities		−773	−34
Change in current financial liabilities		−50	35
Other financing activities		31	39
Proceeds from transactions with non-controlling interests and venturers		49	1
Cash paid for transactions with non-controlling interests		−62	−21
Dividend paid to Deutsche Post AG shareholders		−846	−846
Dividend paid to non-controlling interest holders		−78	−109
Purchase of treasury shares		−26	−23
Proceeds from issuing shares or other equity instruments		74	4
Interest paid		−296	−166
Net cash from/used in financing activities	49.3	**1,199**	**−110**
Net change in cash and cash equivalents		−701	1,112
Effect of changes in exchange rates on cash and cash equivalents		−15	−102
Changes in cash and cash equivalents associated with assets held for sale		−7	7
Changes in cash and cash equivalents due to changes in consolidated group		0	0
Cash and cash equivalents at beginning of reporting period		3,123	2,400
Cash and cash equivalents at end of reporting period	49.4	**2,400**	**3,417**

[1] Note 4.

C.05 STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

€m			Other reserves							
	Issued capital	Capital reserves	IFRS 3 revaluation reserve	IAS 39 revaluation reserve	IAS 39 hedging reserve	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	38	39	40	40	40	40	41	42	43	
Balance at 1 January 2012	1,209	2,170	5	90	−34	−517	8,086	11,009	190	11,199
Adjustment[1]	0	0	0	0	0	0	−1,720	−1,720	−1	−1,721
Balance at 1 January 2012, adjusted	1,209	2,170	5	90	−34	−517	6,366	9,289	189	9,478
Capital transactions with owner										
Dividend	0	0	0	0	0	0	−846	−846	−79	−925
Transactions with non-controlling interests	0	0	0	0	0	−2	61	59	−25	34
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	4	4
Issue of shares or other equity instruments	0	74	0	0	0	0	0	74	0	74
Purchase of treasury shares	−2	0	0	0	0	0	−24	−26	0	−26
Share Matching Scheme (issuance)	0	34	0	0	0	0	0	34	0	34
Share Matching Scheme (exercise)	2	−24	0	0	0	0	22	0	0	0
								−705	**−100**	**−805**
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	1,640	1,640	122	1,762
Currency translation differences	0	0	0	0	0	49	0	49	−2	47
Change due to remeasurements of net pension provisions	0	0	0	0	0	0	−1,190	−1,190	0	−1,190
Other changes	0	0	−2	−91	27	0	2	−64	0	−64
								435	**120**	**555**
Balance at 31 December 2012, adjusted[1]	**1,209**	**2,254**	**3**	**−1**	**−7**	**−470**	**6,031**	**9,019**	**209**	**9,228**
Balance at 1 January 2013	1,209	2,254	3	−1	−7	−470	6,031	9,019	209	9,228
Capital transactions with owner										
Dividend	0	0	0	0	0	0	−846	−846	−111	−957
Transactions with non-controlling interests	0	0	0	0	0	−5	−61	−66	−19	−85
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	−3	−3
Issue of shares or other equity instruments	0	0	0	0	0	0	0	0	5	5
Purchase of treasury shares	−1	0	0	0	0	0	−22	−23	0	−23
Share Matching Scheme (issuance)	0	35	0	0	0	0	0	35	0	35
Share Matching Scheme (exercise)	1	−20	0	0	0	0	19	0	0	0
								−900	**−128**	**−1,028**
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	2,091	2,091	120	2,211
Currency translation differences	0	0	0	0	0	−451	0	−451	−11	−462
Change due to remeasurements of net pension provisions	0	0	0	0	0	0	−15	−15	1	−14
Other changes	0	0	−1	69	44	0	1	113	0	113
								1,738	**110**	**1,848**
Balance at 31 December 2013	**1,209**	**2,269**	**2**	**68**	**37**	**−926**	**7,198**	**9,857**	**191**	**10,048**

[1] Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE POST AG

BASIS OF PREPARATION

Deutsche Post DHL 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 2013, are generally based on the same accounting policies used in the 2012 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 2013. 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 20 February 2014.

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

2 Consolidated group

In addition to Deutsche Post AG, the consolidated financial statements for the period ended 31 December 2013 include all German and foreign companies in which Deutsche Post AG directly or indirectly holds a majority of voting rights, or whose activities it can control in some other way. The companies are consolidated from the date on which the Group is able to exercise control.

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

Consolidated group

	2012	2013
Number of fully consolidated companies (subsidiaries)		
German	85	88
Foreign	730	707
Number of proportionately consolidated joint ventures		
German	1	1
Foreign	3	3
Number of companies accounted for using the equity method (associates)		
German	0	0
Foreign	8	8

The complete list of the Group's shareholdings in accordance with section 313 (2) nos. 1 to 4 and section 313 (3) of the HGB can be accessed on the website, www.dpdhl.com/en/investors.html.

Acquisitions in 2013

In the period up to 31 December 2013, Deutsche Post DHL acquired companies that did not materially affect the Group's net assets, financial position and results of operations, either individually or in the aggregate.

Acquisitions, 2013

Name	Country	Segment	Interest (%)	Date of acquisition
Compador Technologies GmbH, Berlin	Germany	MAIL	49	15 January 2013
optivo GmbH, Berlin	Germany	MAIL	100	28 June 2013
RISER ID Services GmbH, Berlin	Germany	MAIL	100	31 July 2013

In January 2013, Deutsche Post DHL acquired 49% of the shares of Compador Technologies GmbH, Berlin, which specialises in the development and manufacture of sorting machines and software solutions covering the entire range of mail items processed by mail service providers and companies. The company is consolidated because of existing potential voting rights.

In addition, optivo GmbH, Berlin, was acquired in June 2013. optivo provides technical e-mail marketing services in German-speaking countries. The software and services offered by the company make it possible to reach out to existing customers by automatically sending campaign e-mails.

At the end of July 2013, all of the shares of RISER ID Services GmbH, Berlin, were acquired via a subsidiary in which Deutsche Post DHL holds a 51% interest. The company is a service provider offering electronic address information from public resident registers.

In financial year 2012, Deutsche Post DHL increased its previous 33% stake in All you need GmbH, Berlin, a mobile commerce supermarket, to 82%. The step acquisition of the company was carried out with a view to resale, since Deutsche Post DHL intended to focus on taking over and enhancing the logistics infrastructure. The company was therefore classified under assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. In the third quarter of 2013, the Board of Management announced that it no longer intended to resell the company. Initial consolidation resulted in goodwill of €5 million. The company was accounted for in the third quarter of 2013. The income statement presentation was not adjusted retrospectively due to the immateriality of the amounts involved. Deutsche Post DHL's stake was further increased to 99.03% (as at 31 December 2013) through disproportionate capital increases during financial years 2012 and 2013. The additional shares acquired through the disproportionate capital increases of €13 million led to a €1 million decline in retained earnings.

Insignificant acquisitions, 2013

€m 1 January to 31 December	Carrying amount	Adjustment	Fair value
ASSETS			
Non-current assets	2	–	2
Current assets	8	–	8
Cash and cash equivalents	2	–	2
	12	–	12
EQUITY AND LIABILITIES			
Current liabilities and provisions	7	–	7
	7	–	7
Net assets			**5**

The calculation of goodwill is presented in the following table:

Goodwill, 2013

€m	Fair value
Contractual consideration	37
Fair value of existing equity interest	2
Cost	**39**
Less net assets	5
Less cost attributable to non-controlling interests	5
Difference	**29**
Plus non-controlling interests[1]	2
Goodwill	**31**

[1] Non-controlling interests are recognised at their carrying amount.

Since their consolidation, the companies have contributed €8 million to consolidated revenue and €–2 million to consolidated EBIT. If the companies had already been acquired as at 1 January 2013, they would have contributed an additional €9 million to consolidated revenue and €1 million to consolidated EBIT.

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

€34 million has so far been paid for the companies acquired in financial year 2013 and €5 million was paid for companies acquired in previous years. The purchase price for the companies acquired was paid by transferring cash funds.

Contingent consideration

Variable purchase prices, which are presented in the following table, were agreed for the acquisitions in financial year 2013 and previous financial years:

Contingent consideration

Basis	Period for financial years from/to	Results range from	Fair value of total obligation	Remaining payment obligation at 31 Dec. 2012	Remaining payment obligation at 31 Dec. 2013
Revenue and gross income[1]	2011 to 2013	€0 to €2 million	€1 million	€1 million	€0 million
EBITDA	2011 to 2012	unlimited	€1 million	€1 million	€0 million
Revenue and EBITDA[2]	2011 to 2013	€0 to €3 million	€1 million	€2 million	€1 million
Revenue and sales margin	2012 to 2014	€0 to €9 million	€3 million	€4 million	€1 million

[1] Both the range and the fair value changed due to amended agreements and earnings forecasts.
[2] Change in the fair value of the total and remaining payment obligation due to differences between actual and estimated amounts.

Acquisitions in 2012

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

[1] Acquired in 2012 with a view to resale (IFRS 5) Note 37.
For the current presentation in 2013 Note 2, acquisitions in 2013.
[2] Step acquisition.

INSIGNIFICANT ACQUISITIONS IN 2012

In the period up to 31 December 2012, Deutsche Post DHL acquired companies that did not materially affect the Group's net assets, financial position and results of operations, either individually or in the aggregate.

Tag Belgium SA is active in the communications sector and specialises in the design, production and localisation of print media. intelliAd Media GmbH is a bid-management technology supplier active in the area of search engine advertising.

2SFG is active in the field of airline catering.

Deutsche Post DHL increased its previous 33% stake in All you need GmbH, a mobile commerce supermarket, to 82%. The stake was further increased to 90.25% through a disproportionate capital increase. The shares were acquired with a view to resale, since Deutsche Post DHL would like to focus on taking over and enhancing the logistics infrastructure. See disclosures under Acquisitions in 2013 for details of further developments and the presentation in financial year 2013.

Exel Saudia LLC, a joint venture that was previously proportionately consolidated and in which Deutsche Post DHL continues to hold 50% of the shares, was fully consolidated because the terms of the contract were amended. The change in consolidation method resulted in goodwill of €6 million from the disposal of the previous interest. The transaction resulted in a gain of €11 million, which is reported in other operating income.

Deutsche Post DHL acquired 50% of the shares of Luftfrachtsicherheit-Service GmbH. The company is fully consolidated due to the terms of the contract.

Insignificant acquisitions, 2012

€m 1 January to 31 December	Carrying amount	Adjustment	Fair value
ASSETS			
Non-current assets	6	–	**6**
Current assets	22	–	**22**
Cash and cash equivalents	5	–	**5**
Assets held for sale	6		**6**
	39	–	**39**
EQUITY AND LIABILITIES			
Non-current liabilities and provisions	3	–	**3**
Current liabilities and provisions	11	–	**11**
Liabilities associated with assets held for sale	1	–	**1**
	15	–	**15**
Net assets			**24**
of which in accordance with IFRS 5			**5**

The calculation of goodwill is presented in the following table:

Goodwill, 2012

€m	Fair value
Contractual consideration	30
Fair value of the existing equity interest[1]	25
Total cost	**55**
Less net assets	24
Difference	**31**
Less goodwill in accordance with IFRS 5	0
Plus negative goodwill	2
Plus non-controlling interests[2]	6
Less goodwill arising from the change in consolidation method	6
Goodwill	**33**

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

Purchase price allocation for Tag Belgium SA and Luftfrachtsicherheit-Service GmbH resulted in negative goodwill of €2 million, which is reported in other operating income. The negative goodwill is attributable to the coverage of potential business risks.

The companies have contributed €16 million to consolidated revenue and €0 million to consolidated EBIT since the date of initial consolidation (amounts for 2012). If these companies had been purchased at 1 January 2012, they would have added €25 million to consolidated revenue and €2 million to consolidated EBIT.

The transaction costs for the insignificant acquisitions amounted to less than €1 million and are reported in other operating expenses.

€24 million was paid for the companies acquired in financial year 2012. €38 million was paid for companies acquired in previous years. The purchase price for the companies acquired was paid by transferring cash funds.

Disposal and deconsolidation effects in 2013

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

SUPPLY CHAIN SEGMENT

Deutsche Post DHL completed the sale of the fashion logistics business of DHL Fashion (France) SAS, France, in April 2013. The assets and liabilities of the business concerned were reclassified as held for sale in financial year 2012 in accordance with IFRS 5. The most recent measurement of the assets prior to their reclassification resulted in an impairment loss of €1 million in 2012, which was reported in depreciation, amortisation and impairment losses.

In addition, ITG GmbH Internationale Spedition und Logistik, Germany, was sold together with its subsidiaries in June 2013. The companies' assets and liabilities were reclassified as held for sale in the first quarter of 2013 in accordance with IFRS 5. The most recent measurement of the assets prior to their reclassification did not indicate any impairment.

The sale of US company Exel Direct Inc. including its Canadian branch was completed in May 2013. The company's assets and liabilities had been reclassified as held for sale in the first quarter of 2013 in accordance with IFRS 5. The most recent measurement of the assets prior to their reclassification did not indicate any impairment.

US warehousing specialist Llano Logistics Inc. was sold and deconsolidated in May 2013. Since all of the amounts involved were lower than €1 million, they are not shown in the table below.

EXPRESS SEGMENT

The sale of the Romanian domestic express business of Cargus International S.R.L. was completed in the first quarter of 2013. As at 31 December 2012, the assets and liabilities of the business concerned were reclassified as held for sale in accordance with IFRS 5. The most recent measurement of the assets prior to their reclassification did not indicate any impairment.

The sale of the Domestic Same Day business of DHL Express UK Limited, UK, closed at the end of October 2013. The relevant assets and liabilities had previously been reclassified as held for sale in accordance with IFRS 5. The most recent measurement of the assets and liabilities prior to their reclassification did not indicate any impairment.

Disposal and deconsolidation effects, 2013

€m 1 January to 31 December	Cargus International	DHL Fashion (France)	ITG GROUP	Exel Direct	DHL Express UK	Total
Non-current assets	6	0	14	6	1	27
Current assets	3	12	30	14	0	59
Cash and cash equivalents	2	23	4	1	0	30
ASSETS	**11**	**35**	**48**	**21**	**1**	**116**
Current provisions and liabilities	4	12	38	10	0	64
EQUITY AND LIABILITIES	**4**	**12**	**38**	**10**	**0**	**64**
Net assets	**7**	**23**	**10**	**11**	**1**	**52**
Total consideration received	19	0	18	24	1	62
Losses from the currency translation reserve	0	0	0	–2	0	–2
Deconsolidation gain (+)/loss (–)	**12**	**–23**	**8**	**11**	**0**	**8**

Disposal and deconsolidation effects in 2012

EXPRESS SEGMENT

The sales of the Express Couriers Limited (ECL), New Zealand, and Parcel Direct Group Pty Limited (PDG), Australia, joint ventures closed at the end of June 2012. The buyer was the former joint venture partner, New Zealand Post.

GLOBAL FORWARDING, FREIGHT SEGMENT

DHL Global Forwarding & Co. LLC (DHL Oman), Oman, was deconsolidated in the first quarter of 2012, as the reasons for consolidation no longer existed. The company has been accounted for using the equity method since February 2012.

Disposal and deconsolidation effects, 2012

€m 1 January to 31 December	DHL Oman	ECL, PDG	Total
Non-current assets	0	38	**38**
Current assets	8	19	**27**
Assets held for sale[1]	0	0	**0**
Cash and cash equivalents	1	9	**10**
ASSETS	**9**	**66**	**75**
Non-current liabilities and provisions	0	24	**24**
Current liabilities and provisions	6	41	**47**
Liabilities associated with assets held for sale[1]	0	0	**0**
EQUITY AND LIABILITIES	**6**	**65**	**71**
Net assets	**3**	**1**	**4**
Total consideration received	1[2]	49	**50**
Losses (–) from the currency translation reserve	0	–4	**–4**
Non-controlling interests	2	0	**2**
Deconsolidation gain (+)	**0**	**44**	**44**

[1] Data before deconsolidation.
[2] Fair value of existing investment.

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

Joint ventures

The following table provides information about the balance sheet and income statement items attributable to joint ventures:

At 31 December

€m	2012[1]	2013[1]
BALANCE SHEET		
Intangible assets	0	0
Property, plant and equipment	14	13
Receivables and other assets	68	77
Cash and cash equivalents	9	8
Trade payables, other liabilities	40	38
Provisions	32	44
Financial liabilities	2	2
INCOME STATEMENT		
Revenue[2]	120	118
Profit from operating activities (EBIT)	9	8

[1] Proportionate single-entity financial statement data.
[2] Revenue excluding intra-group revenue.

The consolidated joint ventures are AeroLogic GmbH, Germany, EV Logistics, Canada, Bahwan Exel LLC, Oman, and Danzas DV LCC, Russia.

Additional information on the size of the shareholdings can be found in the list of shareholdings, which can be accessed on the website, www.dpdhl.com/en/investors.html.

3 Significant transactions

Issuance of bonds

Deutsche Post DHL took advantage of favourable market conditions to place two conventional bonds amounting to €1 billion with national and international investors. The issue date was 9 October 2013. The capital raised will be used to repay a ten-year bond maturing in January 2014. The first issue in the amount of €500 million has a maturity of five years and an annual coupon of 1.5%. The second €500 million issue has a maturity of ten years and an annual coupon of 2.75%; Note 46.

At the end of September 2013, the five-year credit facility with a total volume of €2 billion taken out with a consortium of national and international banks in 2010 was renewed early until 2018 at more favourable terms. In addition, two one-year extension options were also agreed.

Income from changes to retirement plans

The defined benefit retirement plans in the UK were changed to defined contribution plans in the fourth quarter of 2013. This generated income of €55 million, which is recognised in staff costs. Further details can be found in Note 44.

4 Adjustment of prior-period amounts

The following adjustments were made for financial year 2012:

ADJUSTMENT 1

To improve transparency, the receivables and other current assets item in the balance sheet was divided into the trade receivables and the other current assets balance sheet items. The presentation on the assets side thus reflects that on the liabilities side.The capital reserves contained in the other reserves item are now presented separately in the balance sheet. Total assets were not affected. The prior-year amounts were adjusted accordingly.

ADJUSTMENT 2

Reflecting the amendment of IAS 19, provisions for pensions and similar obligations increased by €2,774 million as at 31 December 2012 (as at 1 January 2012: by €1,610 million) and provisions for obligations arising from partial retirement arrangements declined by €29 million (as at 1 January 2012: by €57 million). Retained earnings were reduced by €2,925 million (as at 1 January 2012: by €1,720 million) at the same time. The currency translation reserve included in other reserves fell by €7 million. Due to the adjustment of pension assets, other non-current assets decreased by €335 million (as at 1 January 2012: by €290 million). Deferred tax assets increased by €71 million (as at 1 January 2012: by €53 million), and deferred tax liabilities declined by €73 million (as at 1 January 2012: by €69 million). The low positive effect on taxes overall (€144 million, as at 1 January 2012: €122 million) is largely due to the fact that not all deferred tax assets may be recognised in Germany; Note 30.

Staff costs for financial year 2012 remained unchanged, as the effects relating to net pension provisions and provisions for partial retirement arrangements offset each other. However, net other finance costs narrowed by €29 million.

Balance sheet adjustments at 1 January 2012 and 31 December 2012

€m	Adjustment no.	1 Jan. 2012	Adjustment	1 Jan. 2012 adjusted	31 Dec. 2012	Adjustment	31 Dec. 2012 adjusted
ASSETS							
Other non-current assets	2	570	−290	**280**	633	−335	**298**
Deferred tax assets	2	1,153	53	**1,206**	1,257	71	**1,328**
Receivables and other current assets	1	9,089	−9,089	**0**	9,112	−9,112	**0**
Trade receivables	1	–	6,934	**6,934**	–	6,959	**6,959**
Other current assets	1	–	2,155	**2,155**	–	2,153	**2,153**
EQUITY AND LIABILITIES							
Capital reserves	1	–	2,170	**2,170**	–	2,254	**2,254**
Other reserves	1, 2	1,714	−2,170	**−456**	1,786	−2,261	**−475**
Retained earnings	2	8,086	−1,720	**6,366**	8,956	−2,925	**6,031**
Equity attributable to Deutsche Post AG shareholders	2	11,009	−1,720	**9,289**	11,951	−2,932	**9,019**
Non-controlling interests	2	190	−1	**189**	213	−4	**209**
Provisions for pensions and similar obligations	2	4,445	1,610	**6,055**	2,442	2,774	**5,216**
Deferred tax liabilities	2	255	−69	**186**	229	−73	**156**
Other non-current provisions	2	2,174	−57	**2,117**	1,972	−29	**1,943**

Income statement for the period 1 January 2012 to 31 December 2012

€m	2012	Adjustment	2012 adjusted
Net other finance costs	−429	−29	**−458**
Profit before income taxes	2,238	−29	**2,209**
Income taxes	−458	11	**−447**
Consolidated net profit for the period	1,780	−18	**1,762**
attributable to Deutsche Post AG shareholders	1,658	−18	**1,640**
Basic earnings per share (€)	1.37	−0.01	**1.36**
Diluted earnings per share (€)	1.32	−0.02	**1.30**

Statement of comprehensive income for the period 1 January 2012 to 31 December 2012

€m	2012	Adjustment	2012 adjusted
Consolidated net profit for the period	1,780	–18	**1,762**
Items that will not be reclassified to profit or loss			
Change due to remeasurements of net pension provisions	0	–1,198	**–1,198**
Income taxes relating to components of other comprehensive income	0	8	**8**
Items that may be subsequently reclassified to profit or loss			
Currency translation reserve (changes from unrealised gains and losses)	7	–7	**0**
Other comprehensive income (after tax)	–10	–1,197	**–1,207**
Total comprehensive income	1,770	–1,215	**555**
attributable to Deutsche Post AG shareholders	1,650	–1,215	**435**
attributable to non-controlling interests	120	0	**120**

5 New developments in international accounting under IFRSs

The following Standards, changes to Standards and Interpretations are required to be applied on or after 1 January 2013:

	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IAS 1 (Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income)	1 January 2013	Entities must classify items presented in other comprehensive income by whether they will not or may be subsequently reclassified to profit or loss (recycled). The presentation has been adjusted; statement of comprehensive income. There were no other effects.
Amendments to IAS 19 (Employee Benefits)	1 January 2013	These amendments significantly affect the recognition and measurement of the cost of defined benefit retirement plans and termination benefits. The corresponding effects on the balance sheet as well as certain changes to the disclosure requirements must also be reflected. With regard to defined benefit plans, the immediate recognition of actuarial gains and losses in other comprehensive income (retained earnings), and the use of a uniform discount rate for provisions for pensions and similar obligations, are of particular significance. The more detailed requirements on the recognition of administration costs are also relevant. Furthermore, the classification of partial retirement obligations has changed. For more details on the adjustments, Note 4. Pro forma disclosures: If the amendments had not been applied in financial year 2013, EBIT would have decreased by around €115 million and net other finance costs would have improved by €50 million. Provisions for pensions and similar obligations would have seen a decrease of around €2,740 million, concurrent with the immediate rise in retained earnings of around €3,150 million, whilst pension assets and the provisions for obligations from partial retirement arrangements would have risen by around €320 million and around €10 million, respectively. Applying the tax rate for the current financial year, income taxes would have declined by around €9 million. Basic earnings per share would have been around €1.68 and diluted earnings per share around €1.62.
Amendments to IAS 12 (Income Taxes: Deferred Tax – Recovery of Underlying Assets)	1 January 2013	The amendment introduces a mandatory rebuttable presumption in respect of the treatment of temporary taxable differences for investment property for which the fair value model is applied in accordance with IAS 40. The change had no effect on the consolidated financial statements.
Amendments to IFRS 7 (Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities)	1 January 2013	The amendment to IAS 32 relating to the presentation of the offsetting of financial assets and liabilities and the associated additions to IFRS 7 require comprehensive disclosure of the rights of set-off, especially for those rights that do not result in offsetting under IFRSs. The change has led to additional disclosures in the Notes; Note 50.
IFRS 13 (Fair Value Measurement)	1 January 2013	This sets out uniform, overarching requirements for the measurement of fair value. It requires a specific presentation of the techniques used to determine fair value. The application of the new standard results in additional disclosure requirements; Notes 26, 37 and 50.
Annual Improvements to IFRSs 2009–2011 Cycle	1 January 2013	The Annual Improvements to IFRSs 2009–2011 Cycle were adopted by the EU in March 2013. The annual improvement process refers to the following standards: IFRS 1 (First-Time Adoption of International Financial Reporting Standards), IAS 1 (Presentation of Financial Statements), IAS 16 (Property, Plant and Equipment), IAS 32 (Financial Instruments: Presentation) and IAS 34 (Interim Financial Reporting). The amendments do not affect the presentation of the financial statements.

The following are not relevant for the consolidated financial statements:
Amendments to IFRS 1 (Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters),
IFRIC 20 (Stripping Costs in the Production Phase of a Surface Mine),
Amendments to IFRS 1 (First-Time Adoption of International Financial Reporting Standards: Government Loans).

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 32 (Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities) (16 December 2011)	1 January 2014	These provide clarification on the conditions for offsetting financial assets and liabilities in the balance sheet. A right of set-off must be legally enforceable for all counterparties, both in the normal course of business and also in the event of insolvency, and it must exist at the balance sheet date. The Standard specifies which gross settlement systems can be regarded as net settlement for this purpose. The amendment will not have any significant effect on the presentation of the financial statements. In individual cases, additional disclosures may be required.
IFRS 10 (Consolidated Financial Statements) (12 May 2011)	1 January 2014[1]	This introduces a uniform definition of control for all entities that are to be included in the consolidated financial statements. The standard also contains comprehensive requirements on determining a relationship where control exists. IFRS 10 supersedes IAS 27 (Consolidated and Separate Financial Statements) as well as SIC-12 (Consolidation – Special Purpose Entities). Special purpose entities previously consolidated in accordance with SIC-12 are now subject to IFRS 10. The reclassification resulting from the change in the consolidation method when IFRS 10 enters into force in financial year 2014 will result in changes which will, however, have no significance for the financial statements. Pro forma disclosure: If the standard had already been applied in financial year 2013, revenue would have declined by around €63 million and EBIT by €1 million. Consolidated net profit for the period would have decreased by €1 million.
IFRS 11 (Joint Arrangements) (12 May 2011)	1 January 2014[1]	IFRS 11 supersedes IAS 31 (Interests in Joint Ventures). The option to proportionately consolidate joint ventures will be abolished. However, IFRS 11 will not require all entities that are currently subject to proportionate consolidation to be accounted for using the equity method in the future. IFRS 11 provides a uniform definition of the term "joint arrangements" and distinguishes between joint operations and joint ventures. The interest in a joint operation is recognised on the basis of direct rights and obligations, whereas the interest in the profit or loss of a joint venture must be accounted for using the equity method. The mandatory application of the equity method to joint ventures will in future follow the requirements of the revised IAS 28 (Investments in Associates and Ventures). In future, due to the aforementioned requirements, AeroLogic GmbH, Germany, and EV Logistics, Canada, may no longer be accounted for using the equity method, but will be classified as joint operations and consolidated on a proportionate basis in accordance with the contractual provisions. The entry into force of IFRS 11 in financial year 2014 will thus result in changes in the consolidated financial statements which will, however, have no significant influence. Pro forma disclosure: If the standard had already been applied in financial year 2013, revenue would have declined by around €103 million, the change in EBIT would have been less than €1 million, net finance costs would have decreased by €1 million and income taxes would have risen by €1 million. There would have been no change to consolidated net profit for the period.
IFRS 12 (Disclosures of Interests in Other Entities) (12 May 2011)	1 January 2014[1]	This combines the disclosure requirements for all interests in subsidiaries, joint ventures, associates and unconsolidated structured entities into a single standard. An entity is required to provide quantitative and qualitative disclosures about the types of risks and financial effects associated with the entity's interests in other entities. IFRS 12 results in increased disclosure requirements.
Amendments to IFRS 10, IFRS 11, IFRS 12: Transitional Provisions (28 June 2012)	1 January 2014[1]	The amendments relate to the transitional provisions in respect of the first-time application of the standards. They must be applied in line with the effective dates for IFRS 10, IFRS 11 and IFRS 12.
IAS 27 (Separate Financial Statements) (revised 2011) (12 May 2011)	1 January 2014[1]	The existing standard IAS 27 (Consolidated and Separate Financial Statements) was revised in conjunction with the new standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 27 (Separate Financial Statements) (revised 2011). The revised standard now only contains requirements applicable to separate financial statements. The amendment will not affect the financial statements.
IAS 28 (Investments in Associates and Joint Ventures) (revised 2011) (12 May 2011)	1 January 2014[1]	The existing standard IAS 28 (Investments in Associates) was revised in conjunction with the new standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 28 (Investments in Associates and Joint Ventures) (revised 2011). Its scope is being extended to include accounting for joint ventures using the equity method. The previous requirements of SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Venturers) are being incorporated into IAS 28. The change will have no significant influence on the financial statements.
Amendments to IAS 36 (Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets) (29 May 2013)	1 January 2014	These amendments clarify that disclosures regarding the recoverable amount of non-financial assets determined based on fair value less costs of disposal are only required if an impairment loss has been recognised or reversed in the current reporting period. In addition, the disclosures required when the recoverable amount is determined based on fair value less costs of disposal have been amended. The amendments are retrospectively applicable for financial years starting on or after 1 January 2014; early application is permitted as IFRS 13 is already being applied. The Standard was applied early.

The following are not relevant for the consolidated financial statements:
Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities) issued on 31 October 2012, effective for financial years beginning on or after 1 January 2014.

[1] These standards were adopted into European law with a different effective date than the original standards.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IAS 39 (Novation of Derivatives and Continuation of Hedge Accounting) (27 June 2013)	1 January 2014	Under this amendment, subject to certain conditions, novation of a hedging instrument to a central counterparty as a consequence of laws or regulations does not give rise to termination of a hedging relationship. The amendments are retrospectively applicable for financial years starting on or after 1 January 2014; early application is permitted. The Group does not currently consider that these amendments will have a significant effect on the presentation of the financial statements.
The following are not relevant for the consolidated financial statements: Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities) issued on 31 October 2012, effective for financial years beginning on or after 1 January 2014.		

[1] These standards were adopted into European law with a different effective date than the original standards.

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

The IASB and the IFRIC issued further Standards, amendments to Standards and Interpretations in financial year 2013 and in previous years whose application is not yet mandatory for financial year 2013. The application of these IFRSs is dependent on their adoption by the EU.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
IFRS 9 (Financial Instruments) (12 November 2009), amendments to IFRS 9 and IFRS 7 (Mandatory Effective Date and Transition Disclosures) (16 December 2011), amendments to IFRS 9, IFRS 7 and IAS 39 (Hedge Accounting) (19 November 2013) and effective date (20 February 2014)	1 January 2018	IFRS 9 was published in 2009 as part of the project to replace IAS 39 (Financial Instruments: Recognition and Measurement). The new Standard changes the previous requirements applicable for the classification and measurement of financial assets. In 2010, the Standard was extended to include the classification and measurement of financial liabilities. The amendments to IFRS 9 and IFRS 7 published in December 2011 deferred the mandatory effective date to 1 January 2015. The transition requirements were also specified in further detail. The disclosure requirements under IFRS 9 were added as an amendment to IFRS 7. The additional disclosure requirements should make it possible to assess the effect of initial application of IFRS 9 on the recognition and measurement of financial instruments. In November 2013, the IASB issued a new version of the standard on hedge accounting as part of the third phase of the project to replace IAS 39 by IFRS 9. The mandatory effective date of IFRS 9 was set at 1 January 2018 in February 2014. The date on which the Standard will be adopted by the EU has not yet been announced. The Group is assessing the effects of initial application of the Standard if it were to be adopted by the EU in its current form.
IFRIC 21 (Levies) (20 May 2013)	1 January 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 Group is currently reviewing the effects of this Interpretation on the consolidated financial statements.
Amendments to IAS 19 (Employee Benefits – Defined Benefit Plans: Employee Contributions) (21 November 2013)	1 July 2014	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 July 2014	The annual improvement process refers to the following standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38, IAS 24. Application of the new requirements is mandatory for reporting periods beginning on or after 1 July 2014. The amendments will not have a significant influence on the consolidated financial statements.
Annual Improvements to IFRSs 2011–2013 Cycle (12 December 2013)	1 July 2014	The annual improvement process refers to the following standards: IFRS 1, IFRS 3, IFRS 13, IAS 40. Application of the new requirements is mandatory for reporting periods beginning on or after 1 July 2014. The amendments will not have a significant influence on the consolidated financial statements.
The following are not relevant for the consolidated financial statements: IFRS 14 (Regulatory Deferral Accounts) issued on 31 January 2014, effective for financial years beginning on or after 1 January 2016.		

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 2013, currency translation differences amounting to €–451 million (previous year, adjusted: €49 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	2012 EUR 1 =	2013 EUR 1 =	2012 EUR 1 =	2013 EUR 1 =
AUD	Australia	1.2719	1.5408	1.2445	1.3769
CNY	China	8.2180	8.3411	8.1458	8.1670
GBP	UK	0.8156	0.8332	0.8116	0.8492
JPY	Japan	113.6625	144.607	103.4778	129.6521
SEK	Sweden	8.5912	8.8682	8.6853	8.6511
CHF	Switzerland	1.2075	1.2269	1.2043	1.2308
USD	USA	1.3191	1.3778	1.2928	1.3284

The carrying amounts of non-monetary assets recognised at consolidated companies operating in hyperinflationary economies are generally indexed in accordance with IAS 29 and thus reflect the current purchasing power at the balance sheet date.

In accordance with IAS 21, receivables and liabilities in the financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate as at the balance sheet date. Currency translation differences are recognised in other operating income and expenses in the income statement. In financial year 2013, income of €155 million (previous year: €178 million) and expenses of €156 million (previous year: €181 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's normal business operations consist of the provision of logistics services. All income relating to normal business operations is recognised as revenue in the income statement. All other income is reported as other operating income. Revenue and other operating income is generally recognised when services are rendered, the amount of revenue and income can be reliably measured and, in all probability, the economic benefits from the transactions will flow to the Group. Operating expenses are recognised in income when the service is utilised or when the expenses are incurred.

Intangible assets

Intangible assets are measured at amortised cost. Intangible assets comprise internally generated and purchased intangible assets and purchased goodwill.

Internally generated intangible assets are capitalised at cost if it is probable that their production will generate an inflow of future economic benefits and the costs can be reliably measured. In the Group, this concerns internally developed software. If the criteria for capitalisation are not met, the expenses are recognised immediately in income in the year in which they are incurred. In addition to direct costs, the production cost of internally developed software includes an appropriate share of allocable production overhead costs. Any borrowing costs incurred for qualifying assets are included in the production cost. Value added tax arising in conjunction with the acquisition or production of intangible assets is included in the cost if it cannot be deducted as input tax. Capitalised software is amortised 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 5
Purchased software	up to 5
Licences	term of agreement
Customer relationships	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, 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 amounts specified by the Group. The actual useful lives may be shorter due to contractual arrangements or other specific factors such as time and location.

If there are indications of impairment, an impairment test must be carried out; see the section headed Impairment.

Impairment

At each balance sheet date, the carrying amounts of intangible assets, property, plant and equipment and investment property are reviewed for indications of impairment. If there are any such indications, an impairment test must be carried out. This is done by determining the recoverable amount of the relevant asset and comparing it with the carrying amount.

In accordance with IAS 36, the recoverable amount is the asset's fair value less costs to sell or its value in use, whichever is higher. The value in use is the present value of the pre-tax free cash flows expected to be derived from the asset in future. The discount rate used is a pre-tax rate of interest reflecting current market conditions. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets to which the asset in question can be allocated and which generates independent cash flows (cash generating unit – CGU). If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in respect of the asset. If, after an impairment loss has been recognised, a higher recoverable amount is determined for the asset or the CGU at a later date, the impairment loss is reversed up to a carrying amount that does not exceed the recoverable amount. The increased carrying amount attributable to the reversal of the impairment loss is limited to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised in the past. The reversal of the impairment loss is recognised in the income statement. Impairment losses recognised in respect of goodwill may not be reversed.

Since January 2005, goodwill has been accounted for using the impairment-only approach in accordance with IFRS 3. This stipulates that goodwill must be subsequently measured at cost, less any cumulative adjustments from impairment losses. Purchased goodwill is therefore no longer amortised and instead is tested for impairment annually in accordance with IAS 36, regardless of whether any indication of possible impairment exists, as in the case of intangible assets with an indefinite useful life. In addition, the obligation remains to conduct an impairment test if there is any indication of impairment. Goodwill resulting from company acquisitions is allocated to the identifiable groups of assets (CGUs or groups of CGUs) that are expected to benefit from the synergies of the acquisition. These groups represent the lowest reporting level at which the goodwill is monitored for internal management purposes. The carrying amount of a CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Where impairment losses are recognised in connection with a CGU to which goodwill has been allocated, the existing carrying amount of the goodwill is reduced first. If the amount of the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated to the remaining non-current assets in the CGU.

Finance leases

A lease financing transaction is an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, beneficial ownership of leased assets is attributed to the lessee if the lessee substantially bears all risks and rewards incident to ownership of the leased asset. To the extent that beneficial ownership is attributable to the Group as the lessee, the asset is capitalised at the date on which use starts, either at fair value or at the present value of the minimum lease payments if this is less than the fair value. A lease liability in the same amount is recognised under non-current liabilities. The lease is subsequently measured at amortised cost using the effective interest method. The depreciation methods and estimated useful lives correspond to those of comparable purchased assets.

Operating leases

For operating leases, the Group reports the leased asset at amortised cost as an asset under property, plant and equipment where it is the lessor. The lease payments recognised in the period are shown under other operating income. Where the Group is the lessee, the lease payments made are recognised as lease expense under materials expense. Lease expenses and income are recognised using the straight-line method.

Investments in associates

Investments in associates are accounted for using the equity method in accordance with IAS 28 (Investments in Associates). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investment is increased or reduced annually to reflect the share of earnings, dividends distributed and other changes in the equity of the associates attributable to the investments of Deutsche Post AG or its consolidated subsidiaries. The goodwill contained in the carrying amounts of the investments is accounted for in accordance with IFRS 3. Investments in companies accounted for using the equity method are impaired if the recoverable amount falls below the carrying amount.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and derivative financial assets held for trading. Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity. These mainly comprise trade payables, liabilities to banks, liabilities arising from bonds and finance leases, and derivative financial liabilities.

Fair value option

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 12 months of the balance sheet date. In particular, investments in unconsolidated subsidiaries, marketable securities and other equity investments are reported in this category.

HELD-TO-MATURITY FINANCIAL ASSETS

Financial instruments are assigned to this category if there is an intention to hold the instrument to maturity and the economic conditions for doing so are met. These financial instruments are non-derivative financial assets that are measured at amortised cost using the effective interest method.

LOANS AND RECEIVABLES

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Unless held for trading, they are recognised at cost or amortised cost at the balance sheet date. The carrying amounts of money market receivables correspond approximately to their fair values due to their short maturity. Loans and receivables are considered current assets if they mature not more than 12 months after the balance sheet date; otherwise, they are recognised as non-current assets. If the recoverability of receivables is in doubt, they are recognised at amortised cost, less appropriate specific or collective valuation allowances. A write-down on trade receivables is recognised if there are objective indications that the amount of the outstanding receivable cannot be collected in full. The write-down is recognised in the income statement via a valuation account.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All financial instruments held for trading and derivatives that do not satisfy the criteria for hedge accounting are assigned to this category. They are generally measured at fair value. All changes in fair value are recognised in income. All financial instruments in this category are accounted for at the trade date. Assets in this category are recognised as current assets if they are either held for trading or will likely be realised within 12 months of the balance sheet date.

To avoid variations in earnings resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible and economically useful. Gains and losses from the derivative and the related hedged item are recognised in income simultaneously. Depending on the hedged item and the risk to be hedged, the Group uses fair value hedges and cash flow hedges.

The carrying amounts of financial assets not carried at fair value through profit or loss are tested for impairment at each balance sheet date and whenever there are indications of impairment. The amount of any impairment loss is determined by comparing the carrying amount and the fair value. If there are objective indications of impairment, an impairment loss is recognised in the income statement under other operating expenses or net financial income/net finance costs. Impairment losses are reversed if there are objective reasons arising after the balance sheet date indicating that the reasons for impairment no longer exist. The increased carrying amount resulting from the reversal of the impairment loss may not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if the impairment loss had not been recognised. Impairment losses are recognised within the Group if the debtor is experiencing significant financial difficulties, it is highly probable that the debtor will be the subject of bankruptcy proceedings, there are material changes in the issuer's technological, economic, legal or market environment, or the fair value of a financial instrument falls below its amortised cost for a prolonged period.

A fair value hedge hedges the fair value of recognised assets and liabilities. Changes in the fair value of both the derivatives and the hedged item are recognised in income simultaneously.

A cash flow hedge hedges the fluctuations in future cash flows from recognised assets and liabilities (in the case of interest rate risks), highly probable forecast transactions as well as unrecognised firm commitments that entail a currency risk. The effective portion of a cash flow hedge is recognised in the hedging reserve in equity. Ineffective portions resulting from changes in the fair value of the hedging instrument are recognised directly in income. The gains and losses generated by the hedging transactions are initially recognised in equity and are then reclassified to profit or loss in the period in which the asset acquired or liability assumed affects profit or loss. If a hedge of a firm commitment subsequently results in the recognition of a non-financial asset, the gains and losses recognised directly in equity are included in the initial carrying amount of the asset (basis adjustment).

Net investment hedges in foreign entities are treated in the same way as cash flow hedges. The gain or loss from the effective portion of the hedge is recognised in other comprehensive income, whilst the gain or loss attributable to the ineffective portion is recognised directly in income. The gains or losses recognised in other comprehensive income remain there until the disposal or partial disposal of the net investment. Detailed information on hedging transactions can be found in Note 50.2.

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 in many countries under which the Group grants post-employment benefits to its employees. These benefits include pensions, lump-sum payments on retirement and other post-employment benefits referred to in these disclosures as retirement benefits, pensions and similar benefits, or simply pensions. A distinction is made between defined benefit and defined contribution plans.

THE GROUP'S DEFINED BENEFIT RETIREMENT PLANS

Defined benefit pension 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 obligations 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 other finance costs and any remeasurement outside profit and loss in other comprehensive income.

DEFINED CONTRIBUTION RETIREMENT PLANS FOR CIVIL SERVANT EMPLOYEES IN GERMANY

Deutsche Post AG pays contributions to defined contribution plans for civil servants in Germany in accordance with statutory provisions. 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), introduced as article 4 of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German Posts and Telecommunications Reorganisation Act), Deutsche Post AG provides benefit and assistance payments through a special pension fund for postal civil servants (*Postbeamtenversorgungskasse*) operated jointly, since early 2001, by the Deutsche Bundespost successor companies, the Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. At the beginning of 2013, Bundesanstalt für Post und Telekommunikation (BAnstPT – Federal Posts and Telecommunications Agency) assumed the rights and obligations of the BPS-PT. It has undertaken the tasks of the pension fund for postal civil servants since that time. The amount of Deutsche Post AG's payment obligations is governed by section 16 of the PostPersRG. Since 2000, this Act has obliged Deutsche Post AG to pay into the postal civil servant pension fund an annual contribution of 33% of the gross compensation of its active civil servants and the notional gross compensation of civil servants on leave of absence who are eligible for a pension.

Under section 16 of the PostPersRG, the federal government makes good the difference between the current payment obligations of the postal civil servant pension fund on the one hand, and the funding companies' current contributions or other return on assets on the other, and guarantees that the postal civil servant pension fund is able at all times to meet the obligations it has assumed in respect of its funding companies. Insofar as the federal government makes payments to the postal civil servant pension fund under the terms of this guarantee, it cannot claim reimbursement from Deutsche Post AG.

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

The contributions to defined contribution retirement plans for the Group's hourly workers and salaried employees are also recognised in staff costs.

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

Contributions are paid into these multi-employer plans in the USA based on collective agreements between employers and the local unions. There is no employer liability to any of the plans beyond the normal contribution rates negotiated in collective bargaining except in the event of a withdrawal that meets specified criteria. At the end of 2013, there existed no agreements with any of these multi-employer plans beyond the collective agreements that set the contribution rates. Employer contributions to pension funds are expected to amount to €23 million in 2014 (actual employer contributions in financial year 2013: €23 million). According to information made available by the pension funds, some of the plans to which Deutsche Post DHL makes contributions are underfunded. There is no available information from the plans themselves which would indicate any change from the contribution rates set in the 2013 collective agreements. At present, Deutsche Post DHL does not account for a significant share of the contributions to the pension funds except for one fund where Deutsche Post DHL is the largest contributor.

Contribution rates for one of the multi-employer retirement plans in the Netherlands are determined each year by the management body of the pension fund with the involvement of the central bank of the Netherlands, based on cost coverage. These contribution rates are the same for all employers and employees involved. There is no employer liability towards the fund beyond the contributions set, even in the case of withdrawal. Any subsequent underfunding ultimately results in the rights of members being cut and/or no indexation of their rights. Employer contributions to the pension fund are expected to amount to €21 million in 2014 (actual employer contributions in financial year 2013: €21 million). According to information made available by the pension fund, the plan is not underfunded at present. Deutsche Post DHL does not represent a significant level to 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 0.25% and 11% (previous year: 0.25% and 9.25%). 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. 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 of 29.8% (unchanged from the previous year) applied to German Group companies comprises the corporation tax rate plus the solidarity surcharge, as well as a municipal trade tax rate that is calculated as the average of the different municipal trade tax rates. Foreign Group companies use their individual income tax rates to calculate deferred tax items. The income tax rates applied for foreign companies amount to up to 38% (previous year: 41%).

Income taxes

Income tax assets and liabilities are measured at the amounts for which repayments from or payments to the tax authorities are expected to be received or made.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognised as liabilities; Note 51.

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 defined benefit retirement plans can be found in Note 44.

The Group has operating activities around the globe and is subject to local tax laws. Management can exercise judgement when calculating the amounts of current and deferred taxes in the relevant countries. Although management believes that it has made a reasonable estimate relating to tax matters that are inherently uncertain, there can be no guarantee that the actual outcome of these uncertain tax matters will correspond exactly to the original estimate made. Any difference between actual events and the estimate made could have an effect on tax liabilities and deferred taxes in the period in which the matter is finally decided. The amount recognised for deferred tax assets could be reduced if the estimates of planned taxable income or the tax benefits achievable as a result of tax planning strategies are revised downwards, or in the event that changes to current tax laws restrict the extent to which future tax benefits can be realised.

Goodwill is regularly reported in the Group's balance sheet as a consequence of business combinations. When an acquisition is initially recognised in the consolidated financial statements, all identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. One of the most important estimates this requires is the determination of the fair values of these assets and liabilities at the date of acquisition. Land, buildings and office equipment are generally valued by independent experts, whilst securities for which there is an active market are recognised at the quoted exchange price. If intangible assets are identified in the course of an acquisition, their measurement can be based on the opinion of an independent external expert valuer, depending on the type of intangible asset and the complexity involved in determining its fair value. The independent expert determines the fair value using appropriate valuation techniques, normally based on expected future cash flows. In addition to the assumptions about the development of future cash flows, these valuations are also significantly affected by the discount rates used.

Impairment testing for goodwill is based on assumptions with respect to the future. The Group carries out these tests annually and also whenever there are indications that goodwill has become impaired. The recoverable amount of the CGU must then be calculated. This amount is the higher of fair value less costs to sell and value in use. Determining value in use requires adjustments and estimates to be made with respect to forecasted future cash flows and the discount rate applied. Although management believes that the assumptions made for the purpose of calculating the recoverable amount are appropriate, possible unforeseeable changes in these assumptions – e.g., a reduction in the EBIT margin, an increase in the cost of capital or a decline in the long-term growth rate – could result in an impairment loss that could negatively affect the Group's net assets, financial position and results of operations.

Pending legal proceedings in which the Group is involved are disclosed in Note 53. The outcome of these proceedings could have a significant effect on the net assets, financial position and results of operations of the Group. Management regularly analyses the information currently available about these proceedings and recognises provisions for probable obligations including estimated legal costs. Internal and external legal advisers participate in making this assessment. In deciding on the necessity for a provision, management takes into account the probability of an unfavourable outcome and whether the amount of the obligation can be estimated with sufficient reliability. The fact that an action has been launched or a claim asserted against the Group, or that a legal dispute has been disclosed in the Notes, does not necessarily mean that a provision is recognised for the associated risk.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the balance sheet date. For the purpose of estimating the future development of the business, a realistic assessment was also made at that date of the economic environment likely to apply in the future to the different sectors and regions in which the Group operates. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be any significant adjustments in financial year 2014 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 ventures and associates included in the consolidated financial statements and prepared in accordance with uniform accounting policies as at 31 December 2013.

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.

Joint ventures are proportionately consolidated in accordance with IAS 31. Assets and liabilities, as well as income and expenses, of jointly controlled companies are included in the consolidated financial statements in proportion to the interest held in these companies. Proportionate acquisition accounting as well as recognition and measurement of goodwill use the same methods as applied to the consolidation of subsidiaries.

Companies on which the parent can exercise significant influence (associates) are accounted for in accordance with the equity method using the purchase method of accounting. Any goodwill is included in the carrying amounts of the investments.

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 associates are eliminated on a pro rata basis.

SEGMENT REPORTING

10 Segment reporting

Segments by division

€m	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Consolidation		Group	
1 Jan. to 31 Dec.	2012[1]	2013	2012[1]	2013	2012[1]	2013	2012[1]	2013	2012[1]	2013	2012[1]	2013	2012[1]	2013
External revenue	13,874	14,344	12,378	12,332	14,980	14,151	14,229	14,187	51	71	0	0	**55,512**	**55,085**
Internal revenue	98	108	400	380	686	687	111	90	1,152	1,180	−2,447	−2,445	**0**	**0**
Total revenue	13,972	14,452	12,778	12,712	15,666	14,838	14,340	14,277	1,203	1,251	−2,447	−2,445	**55,512**	**55,085**
Profit/loss from operating activities (EBIT)	1,048	1,226	1,110	1,133	514	483	419	441	−423	−421	−3	−1	**2,665**	**2,861**
Net income from associates	0	0	0	0	2	2	0	0	0	0	0	0	**2**	**2**
Segment assets	4,433	4,670	8,684	8,721	7,951	7,659	6,264	5,974	1,322	1,491	−215	−105	**28,439**	**28,410**
Investments in associates	0	0	28	28	18	20	0	0	0	0	0	0	**46**	**48**
Segment liabilities[2]	2,505	2,492	2,547	2,915	2,950	2,929	2,825	2,908	797	845	−120	−112	**11,504**	**11,977**
Capex	332	434	597	508	150	129	300	277	318	407	0	0	**1,697**	**1,755**
Depreciation and amortisation	333	346	382	386	111	92	286	270	199	209	0	0	**1,311**	**1,303**
Impairment losses	1	12	18	22	0	0	2	0	7	4	0	0	**28**	**38**
Total depreciation, amortisation and impairment losses	334	358	400	408	111	92	288	270	206	213	0	0	**1,339**	**1,341**
Other non-cash expenses	306	273	277	256	77	87	126	107	57	115	1	0	**844**	**838**
Employees[3]	146,923	149,692	84,623	84,986	43,590	44,174	140,193	143,761	12,958	12,907	0	0	**428,287**	**435,520**

Information about geographical areas

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 Dec.	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
External revenue	16,825	17,074	17,840	17,628	9,819	9,563	8,619	8,526	2,409	2,294	**55,512**	**55,085**
Non-current assets	4,759	5,125	7,228	7,015	3,408	3,244	3,227	3,025	332	332	**18,954**	**18,741**
Capex	979	1,128	259	227	259	180	160	165	40	55	**1,697**	**1,755**

[1] Prior-year amounts adjusted Note 4.
[2] Including non-interest-bearing provisions.
[3] Average FTEs.

10.1 Segment reporting disclosures

Deutsche Post DHL reports four operating segments; these are managed independently by the responsible segment management bodies in line with the products and services offered and the brands, distribution channels and customer profiles involved. Components of the entity are defined as a segment on the basis of the existence of segment managers with bottom-line responsibility who report directly to Deutsche Post DHL's top management.

External revenue is the revenue generated by the divisions from non-Group third parties. Internal revenue is revenue generated with other divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-oriented prices are used as transfer prices (arm's length principle). The transfer prices for services for which no external market exists are generally based on incremental costs.

The expenses for IT services provided in the IT service centres are allocated to the divisions by 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 MAIL division.

As part of the central management of currency risk, fluctuations between projected and actual exchange rates are fully or partially absorbed centrally by Corporate Treasury 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).

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

10.2 Segments by division

MAIL

In addition to the transport and delivery of written communications, the MAIL division is positioned as an end-to-end service provider for the management of written communications. The division comprises the following business units: Mail Communication, Dialogue Marketing, Press Services, Parcel Germany, Global Mail, Retail Outlets and the Pension Service.

EXPRESS

The EXPRESS division offers international and domestic courier and express services to business and private customers. The division comprises the Express Europe, Express Americas, Express Asia Pacific and Express MEA (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 division specialises in contract logistics and provides warehousing and transport services as well as value-added services along the entire supply chain in the different sectors. The division also offers end-to-end solutions for corporate information and communications management. The division's business units are Supply Chain and Williams Lea.

In addition to the reportable segments given above, segment reporting comprises the following categories:

Corporate Center/Other

Corporate Center/Other comprises Global Business Services (GBS), the Corporate Center, non-operating activities and other business activities. The profit/loss generated by GBS is allocated to the operating segments, whilst its assets and liabilities remain with GBS (asymmetrical allocation).

Consolidation

The data for the divisions are presented following consolidation of interdivisional transactions. The transactions between the divisions are eliminated in the Consolidation column.

10.3 Information about geographical areas

The main geographical areas in which the Group is active are Germany, Europe, the Americas, Asia Pacific and Other regions. External revenue, non-current assets and capex are disclosed for these regions. Revenue, assets and capex are allocated to the individual regions on the basis of the domicile of the reporting entity. Non-current assets primarily comprise intangible assets, property, plant and equipment and other non-current assets.

10.4 Reconciliation of segment amounts

Reconciliation of segment amounts to consolidated amounts

Reconciliation

€m	Total for reportable segments		Corporate Center/Other		Reconciliation to Group/ Consolidation		Consolidated amount	
	2012[1]	2013	2012[1]	2013	2012[1]	2013	2012[1]	2013
External revenue	55,461	55,014	51	71	0	0	55,512	55,085
Internal revenue	1,295	1,265	1,152	1,180	−2,447	−2,445	0	0
Total revenue	**56,756**	**56,279**	**1,203**	**1,251**	**−2,447**	**−2,445**	**55,512**	**55,085**
Other operating income	1,966	1,822	1,420	1,358	−1,218	−1,219	2,168	1,961
Materials expense	−33,161	−32,492	−1,294	−1,308	2,592	2,588	−31,863	−31,212
Staff costs	−16,845	−16,812	−944	−983	19	10	−17,770	−17,785
Other operating expenses	−4,492	−4,386	−602	−526	1,051	1,065	−4,043	−3,847
Depreciation, amortisation and impairment losses	−1,133	−1,128	−206	−213	0	0	−1,339	−1,341
Profit/loss from operating activities (EBIT)	**3,091**	**3,283**	**−423**	**−421**	**−3**	**−1**	**2,665**	**2,861**
Net income from associates	2	2	0	0	0	0	2	2
Net other finance costs	–	–	–	–	–	–	−458	−291
Profit before income taxes	–	–	–	–	–	–	2,209	2,572
Income taxes	–	–	–	–	–	–	−447	−361
Consolidated net profit for the period	–	–	–	–	–	–	1,762	2,211
of which attributable to								
Deutsche Post AG shareholders	–	–	–	–	–	–	1,640	2,091
Non-controlling interests	–	–	–	–	–	–	122	120

[1] Prior-year amounts adjusted Note 4.

The following table shows the reconciliation of Deutsche Post DHL's total assets to the segment assets. Financial assets, income tax assets, deferred taxes, cash and cash equivalents as well as additional interest-bearing asset components are deducted.

Reconciliation of segment assets

€m	2012[1]	2013
Total assets	33,857	35,478
Investment property	−43	−33
Non-current financial assets including investments in associates	−1,085	−1,172
Other non-current assets	−200	−125
Deferred tax assets	−1,328	−1,327
Income tax assets	−127	−168
Receivables and other current assets	−10	−7
Current financial assets	−225	−819
Cash and cash equivalents	−2,400	−3,417
Segment assets	**28,439**	**28,410**
of which Corporate Center/Other	1,322	1,491
Total for reportable segments	27,332	27,024
Consolidation	−215	−105

[1] Prior-year amounts adjusted Note 4.

The following table shows the reconciliation of Deutsche Post DHL's total liabilities to the segment liabilities. The interest-bearing components of the provisions and liabilities as well as income tax liabilities and deferred taxes are deducted.

Reconciliation of segment liabilities

€m	2012[1]	2013
Total equity and liabilities	33,857	35,478
Equity	−9,228	−10,048
Consolidated liabilities	**24,629**	**25,430**
Non-current provisions	−7,315	−6,715
Non-current liabilities	−4,689	−4,839
Current provisions	−182	−143
Current liabilities	−939	−1,756
Segment liabilities	**11,504**	**11,977**
of which Corporate Center/Other	797	845
Total for reportable segments	10,827	11,244
Consolidation	−120	−112

[1] Prior-year amounts adjusted Note 4.

INCOME STATEMENT DISCLOSURES

11 Revenue

€m	2012	2013
Revenue	55,512	55,085

Revenue declined by €427 million (0.8%) year-on-year to €55,085 million. The decrease was due to the following factors:

Factors affecting revenue decrease

€m	2013
Organic growth	1,548
Portfolio changes[1]	–287
Currency translation effects	–1,738
Other factors[2]	50
Total	**–427**

[1] Disclosures Note 2.
[2] See Note 45.1 for changes in the provision for postage stamps.

As in the prior-year period, there was no revenue in financial year 2013 that was generated on the basis of barter transactions.

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

12 Other operating income

€m	2012	2013
Income from the reversal of provisions	396	206
Insurance income	172	191
Income from currency translation differences	178	155
Rental and lease income	144	136
Income from fees and reimbursements	145	133
Gains on disposal of non-current assets	127	112
Commission income	119	105
Income from the remeasurement of liabilities	193	101
Income from work performed and capitalised	105	88
Income from the remeasurement of assets and receivables	92	85
Income from prior-period billings	44	71
Income from derivatives	11	66
Income from the derecognition of liabilities	20	31
Income from loss compensation	24	25
Recoveries on receivables previously written off	13	17
Subsidies	9	8
Income from trade-related insurance deductions	6	6
Miscellaneous	370	425
Other operating income	**2,168**	**1,961**

The decline in other operating income is largely attributable to the lower income from the reversal of provisions. In the previous year, the income from the reversal of provisions primarily reflected changes in the assessment of settlement payment obligations assumed in the context of the restructuring measures in the USA.

€31 million of the gains on disposal of non-current assets is attributable to the deconsolidation gains on the sale of subsidiaries; Note 2.

The higher income from the remeasurement of liabilities in the previous year related largely to the reversal of accruals no longer required.

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	2012	2013
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Goods purchased and held for resale	1,779	1,829
Aircraft fuel	1,364	1,312
Fuel	871	848
Packaging material	351	364
Spare parts and repair materials	80	88
Office supplies	60	65
Other expenses	123	121
	4,628	**4,627**
Cost of purchased services		
Transportation costs	18,835	18,268
Cost of temporary staff	2,015	2,005
Expenses from non-cancellable leases	1,730	1,696
Maintenance costs	965	969
IT services	611	603
Expenses from cancellable leases	545	551
Commissions paid	456	467
Expenses for the use of Postbank branches	430	409
Other lease expenses (incidental expenses)	254	261
Other purchased services	1,394	1,356
	27,235	**26,585**
Materials expense	**31,863**	**31,212**

The decline in the materials expense is mainly due to lower transportation costs as a result of exchange rate effects.

Other expenses include a large number of individual items.

14 Staff costs/employees

€m	2012	2013
Wages, salaries and compensation[1]	14,209	14,307
of which expenses under Share Matching Scheme	91	82
of which expenses from 2006 SAR Plan/LTIP	143	202
Social security contributions	2,094	2,111
Retirement benefit expenses[1]	954	883
Expenses for other employee benefits	336	357
Expenses for severance payments	177	127
Staff costs	**17,770**	**17,785**

[1] Prior-year amounts adjusted Note 4.

The increase in wage, salary and compensation payments due to the higher headcount and staff costs was cushioned by exchange rate effects.

€62 million of the expenses under the Share Matching Scheme (previous year: €72 million) is attributable to cash-settled share-based payments. This amount corresponds to the obligation at the balance sheet date. In addition, expenses of €20 million (previous year: €19 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 44. These expenses also include contributions to defined contribution retirement plans for civil servants in Germany in the amount of €538 million (previous year: €542 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 €286 million (previous year: €238 million).

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

Employees (annual average)

headcount	2012	2013
Hourly workers and salaried employees	424,950	433,956
Civil servants	42,461	40,321
Trainees	4,910	4,935
Employees	**472,321**	**479,212**

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 2013 amounted to 435,285 (31 December 2012: 428,129). The number of employees at consolidated joint ventures amounted to 163 on a proportionate basis (previous year: 169).

15 Depreciation, amortisation and impairment losses

€m	2012	2013
Amortisation of and impairment losses on intangible assets, excluding impairment of goodwill	295	290
Depreciation of and impairment losses on property, plant and equipment		
Land and buildings (including leasehold improvements)	180	174
Technical equipment and machinery	242	252
Other equipment, operating and office equipment, vehicle fleet	420	409
Aircraft	202	215
	1,044	1,050
Impairment losses on investment property	0	1
	1,339	**1,341**
Impairment of goodwill	0	0
Depreciation, amortisation and impairment losses	**1,339**	**1,341**

Depreciation, amortisation and impairment losses increased by €2 million year-on-year to €1,341 million. This figure includes impairment losses of €38 million (previous year: €28 million). The impairment losses are attributable to the segments as follows:

Impairment losses on non-current assets

€m	2012	2013
MAIL	**1**	**12**
Intangible assets	0	12
Property, plant and equipment	1	0
EXPRESS	**18**	**22**
Property, plant and equipment	18	22
of which technical equipment and machinery	0	3
of which aircraft	18	19
SUPPLY CHAIN	**2**	**0**
Intangible assets	1	0
Property, plant and equipment	1	0
of which technical equipment and machinery	1	0
Corporate Center/Other	**7**	**4**
Intangible assets	0	3
Property, plant and equipment	7	0
of which land and buildings	7	0
Investment property	0	1
Impairment losses	**28**	**38**

Most of the impairment losses are attributable to aircraft that are no longer used, as in the previous year.

16 Other operating expenses

€m	2012	2013
Expenses for advertising and public relations	341	341
Cost of purchased cleaning and security services	315	321
Travel and training costs	344	315
Other business taxes	550	301
Insurance costs	240	271
Warranty expenses and compensation payments	237	259
Write-downs of current assets	198	226
Telecommunication costs	227	220
Office supplies	172	180
Consulting costs	206	177
Expenses from currency translation differences	181	156
Entertainment and corporate hospitality expenses	144	147
Services provided by the Federal Posts and Telecommunications Agency	87	93
Losses on disposal of assets	59	87
Voluntary social benefits	78	80
Contributions and fees	69	75
Commissions paid	68	70
Legal advisory costs	66	61
Monetary transaction costs	38	40
Audit costs	32	33
Expenses from prior-period billings	28	29
Expenses from derivatives	56	20
Donations	19	20
Miscellaneous	288	325
Other operating expenses	**4,043**	**3,847**

The decline in other operating expenses is mainly due to the lower business taxes. The prior-year figure included the additional VAT payment imposed by the tax authorities for the period from 1998 to 30 June 2010.

€23 million of the losses on disposal of assets is attributable to the deconsolidation loss from the sale of DHL Fashion (France) SAS's fashion logistics business; Note 2.

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

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

17 Net income from associates

€m	2012	2013
Net income from associates	2	2

Investments in companies on which a significant influence can be exercised and which are accounted for using the equity method contributed €2 million (previous year: €2 million) to net finance costs. As in the previous year, this contribution mainly relates to Danzas AEI Emirates LLC, United Arab Emirates.

18 Net other finance costs

€m	2012	2013
Other financial income		
Interest income	48	92
Income from other equity investments and financial assets	6	14
Gains on the disposal of associates	541	0
Other financial income	62	76
	657	**182**
Other finance costs		
Interest expenses[1]	–671	–365
of which unwinding of discounts for net provisions for pensions and other provisions[1]	–381	–187
Write-downs of financial assets	–35	–26
Other finance costs	–372	–40
	–1,078	**–431**
Foreign currency result	–37	–42
Net other finance costs	**–458**	**–291**

[1] Prior-year amounts adjusted Note 4.

Net other finance costs improved by €167 million to €291 million. The change in financial income is due to the disposal gain of €541 million on the sale of Deutsche Postbank AG included in the prior-year figure. The interest income from the reversal of a provision for interest on tax liabilities made a positive contribution in the financial year.

Finance costs were lower. In the previous year, this figure had included the interest expense on the additional VAT payment. In financial year 2013, the lower interest expense on pensions and other provisions resulting from the decline in interest rates in particular improved net finance costs.

Net finance costs includes interest income of €92 million (previous year: €48 million) as well as interest expense of €365 million (previous year, adjusted: €671 million). These result from financial assets and liabilities that were not measured at fair value through profit or loss.

Further information on the unwinding of discounted net pension provisions can be found in Note 44.5.

19 Income taxes

€m	2012	2013
Current income tax expense	–591	–604
Current recoverable income tax	4	198
	–587	–406
Deferred tax expense from temporary differences[1]	–47	–87
Deferred tax income from tax loss carryforwards	187	132
	140	45
Income taxes	–447	–361

[1] Prior-year amounts adjusted Note 4.

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	2012	2013
Profit before income taxes[1]	2,209	2,572
Expected income taxes	–658	–766
Deferred tax assets not recognised for initial differences	6	20
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	105	242
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	141	51
Effect of current taxes from previous years	–70	113
Tax-exempt income and non-deductible expenses	–42	–87
Differences in tax rates at foreign companies	71	66
Income taxes	–447	–361

[1] Prior-year amounts adjusted Note 4.

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 €366 million as at 31 December 2013 (previous year: €434 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.

€106 million (previous year: €85 million) of the effects from deferred tax assets not recognised for tax loss carryforwards and temporary differences relates to the reduction of the effective income tax expense due to the utilisation of tax loss carryforwards and temporary differences, for which deferred tax assets had previously not been recognised. In addition, the recognition of deferred taxes previously not recognised for tax loss carryforwards and of deductible temporary differences from a prior period reduced the deferred tax expense by €208 million (previous year: €207 million). Effects from unrecognised deferred tax assets amounting to €10 million (previous year: €79 million, write-down) were due to a valuation allowance recognised for a deferred tax asset. Other effects from unrecognised deferred tax assets primarily relate to tax loss carryforwards for which no deferred taxes were recognised.

A deferred tax asset in the amount of €7 million (previous year: €979 million) was recognised in the balance sheet for companies that reported a loss in the previous year or in the current period as, based on tax planning, realisation of the tax asset is probable.

In financial year 2013, as in the previous year, German Group companies were not affected by tax rate changes. The change in the tax rate in some foreign tax jurisdictions did not lead to any significant effects.

The effective income tax expense includes prior-period tax expenses from German and foreign companies in the amount of €113 million (tax income) (previous year: expense of €70 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
2013			
Change due to remeasurements of net pension provisions	–50	36	–14
IFRS 3 revaluation reserve	–1	0	–1
IAS 39 revaluation reserve	77	–8	69
IAS 39 hedging reserve	62	–18	44
Currency translation reserve	–462	0	–462
Other changes in retained earnings	1	0	1
Share of other comprehensive income of associates	0	0	0
Other comprehensive income	**–373**	**10**	**–363**
2012			
Change due to remeasurements of net pension provisions[1]	–1,198	8	–1,190
IFRS 3 revaluation reserve	–2	0	–2
IAS 39 revaluation reserve	–12	2	–10
IAS 39 hedging reserve	36	–9	27
Currency translation reserve	3	0	3
Other changes in retained earnings[1]	2	0	2
Share of other comprehensive income of associates	–37	0	–37
Other comprehensive income[1]	**–1,208**	**1**	**–1,207**

[1] Prior-year amounts adjusted Note 4.

20 Consolidated net profit for the period

In financial year 2013, the Group generated a consolidated net profit for the period of €2,211 million (previous year, adjusted: €1,762 million). Of this figure, €2,091 million (previous year, adjusted: €1,640 million) was attributable to Deutsche Post AG shareholders.

21 Non-controlling interests

The net profit attributable to non-controlling interests decreased by €2 million to €120 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 2013 were €1.73 (previous year, adjusted: €1.36).

Basic earnings per share

		2012 adjusted	2013
Consolidated net profit for the period attributable to Deutsche Post AG shareholders[1]	€m	1,640	2,091
Weighted average number of shares outstanding	number	1,208,890,874	1,208,910,457
Basic earnings per share[1]	€	1.36	1.73

[1] Prior-year amounts adjusted Note 4.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. This item includes the executives' rights to shares under the Share Matching Scheme (as at 31 December 2013: 5,992,349 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

		2012	2013
Consolidated net profit for the period attributable to Deutsche Post AG shareholders[1]	€m	1,640	2,091
Plus interest expense on the convertible bond	€m	0[2]	6
Less income taxes	€m	0[2]	1
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,640	2,096
Weighted average number of shares outstanding	number	1,208,890,874	1,208,910,457
Potentially dilutive shares	number	51,569,759	52,944,097
Weighted average number of shares for diluted earnings	number	1,260,460,633	1,261,854,554
Diluted earnings per share[1]	€	1.30	1.66

[1] Prior-year amounts adjusted Note 4.
[2] Rounded below €1 million.

23 Dividend per share

A dividend per share of €0.80 is being proposed for financial year 2013. Based on the 1,209,015,874 shares recorded in the commercial register as at 31 December 2013, this corresponds to a dividend distribution of €967 million. In the previous year the dividend amounted to €0.70 per share. Further details on the dividend distribution can be found in Notes 42 and 59.

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 2012	1,049	481	942	1,423	12,108	89	16,092
Additions from business combinations	0	0	0	0	33	0	33
Additions	65	0	4	134	0	101	304
Reclassifications	27	10	0	33	0	–49	21
Disposals	–57	0	0	–92	–29	–7	–185
Currency translation differences	–1	11	–2	2	–53	0	–43
Balance at 31 December 2012/1 January 2013	1,083	502	944	1,500	12,059	134	16,222
Additions from business combinations	1	0	0	4	31	0	36
Additions	39	0	0	79	0	126	244
Reclassifications	23	0	0	22	0	–36	9
Disposals	–30	0	0	–90	–22	–1	–143
Currency translation differences	–3	–12	–36	–35	–294	0	–380
Balance at 31 December 2013	1,113	490	908	1,480	11,774	223	15,988
Amortisation and impairment losses							
Balance at 1 January 2012	770	446	487	1,057	1,135	1	3,896
Additions from business combinations	0	0	0	0	0	0	0
Amortisation	97	0	78	119	0	0	294
Impairment losses	0	0	0	1	0	0	1
Reclassifications	5	0	0	–5	0	0	0
Reversals of impairment losses	0	0	0	0	0	0	0
Disposals	–51	0	0	–79	–3	0	–133
Currency translation differences	0	11	–5	2	5	0	13
Balance at 31 December 2012/1 January 2013	821	457	560	1,095	1,137	1	4,071
Additions from business combinations	1	0	0	2	0	0	3
Amortisation	99	0	58	118	0	0	275
Impairment losses	0	0	0	15	0	0	15
Reclassifications	2	0	0	–1	0	0	1
Reversals of impairment losses	0	0	0	0	0	0	0
Disposals	–28	0	0	–81	–5	0	–114
Currency translation differences	–2	–10	–26	–26	–35	0	–99
Balance at 31 December 2013	893	447	592	1,122	1,097	1	4,152
Carrying amount at 31 December 2013	220	43	316	358	10,677	222	11,836
Carrying amount at 31 December 2012	262	45	384	405	10,922	133	12,151

Purchased software, concessions, industrial rights, licences and similar rights and assets are reported under purchased intangible assets. Internally generated intangible assets relate to development costs for internally developed software. Other than goodwill, only brand names that are acquired in their entirety are considered to have indefinite useful lives.

The additions to goodwill are attributable to optivo GmbH (€17 million), Compador Technologies (€4 million), RISER ID (€5 million) and All you need (€5 million).

Of the net disposals of goodwill, €4 million relates to Cargus International, €7 million to ITG Group and €6 million to Exel Direct; Note 2.

24.2 Allocation of goodwill to CGUs

€m	2012	2013
Total goodwill	**10,922**	**10,677**
MAIL	**646**	**667**
EXPRESS	**4,092**	**4,069**
GLOBAL FORWARDING, FREIGHT		
DHL Global Forwarding	3,802	3,653
DHL Freight	320	316
SUPPLY CHAIN		
DHL Supply Chain	1,640	1,561
Williams Lea	422	411

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 2014 to 2016. It is supplemented by a perpetual annuity representing the value added from 2017 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	
	2012	2013	2012	2013
SUPPLY CHAIN				
DHL Supply Chain	9.2	9.3	2.5	2.5
Williams Lea	7.8	9.1	2.0	2.0
GLOBAL FORWARDING, FREIGHT				
DHL Freight	9.4	9.4	2.0	2.0
DHL Global Forwarding	9.1	9.2	2.5	2.5
MAIL	**8.0**	**8.8**	**0.5**	**0.5**
EXPRESS	**9.2**	**9.5**	**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 2013.

When performing the impairment test, Deutsche Post DHL conducted sensitivity analyses as required by IAS 36.134. These analyses did not reveal any risk of impairment to goodwill.

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 2012	**4,489**	**4,291**	**2,479**	**1,707**	**2,040**	**444**	**15,450**
Additions from business combinations	2	2	3	0	0	0	**7**
Additions	88	138	160	116	278	613	**1,393**
Reclassifications	88	201	52	402	33	–782	**–6**
Disposals	–124	–616	–168	–162	–238	–13	**–1,321**
Currency translation differences	–3	–6	–6	–6	1	1	**–19**
Balance at 31 December 2012/1 January 2013	**4,540**	**4,010**	**2,520**	**2,057**	**2,114**	**263**	**15,504**
Additions from business combinations	1	13	3	0	4	0	**21**
Additions	214	151	189	34	283	640	**1,511**
Reclassifications	74	177	44	228	26	–550	**–1**
Disposals	–155	–197	–180	–150	–239	–10	**–931**
Currency translation differences	–97	–89	–86	–16	–30	–4	**–322**
Balance at 31 December 2013	**4,577**	**4,065**	**2,490**	**2,153**	**2,158**	**339**	**15,782**
Depreciation and impairment losses							
Balance at 1 January 2012	**2,043**	**3,085**	**1,888**	**843**	**1,097**	**1**	**8,957**
Additions from business combinations	1	1	2	0	0	0	**4**
Depreciation	172	241	214	184	206	0	**1,017**
Impairment losses	8	1	0	18	0	0	**27**
Reclassifications	9	0	3	0	0	0	**12**
Reversals of impairment losses	0	–1	0	–9	0	0	**–10**
Disposals	–51	–592	–157	–147	–206	0	**–1,153**
Currency translation differences	–6	–3	–3	–2	1	0	**–13**
Balance at 31 December 2012/1 January 2013	**2,176**	**2,732**	**1,947**	**887**	**1,098**	**1**	**8,841**
Additions from business combinations	1	12	1	0	4	0	**18**
Depreciation	174	249	207	196	202	0	**1,028**
Impairment losses	0	3	0	19	0	0	**22**
Reclassifications	0	0	1	0	0	0	**1**
Reversals of impairment losses	0	0	0	–1	0	0	**–1**
Disposals	–94	–151	–166	–125	–207	0	**–743**
Currency translation differences	–55	–52	–66	–8	–17	0	**–198**
Balance at 31 December 2013	**2,202**	**2,793**	**1,924**	**968**	**1,080**	**1**	**8,968**
Carrying amount at 31 December 2013	**2,375**	**1,272**	**566**	**1,185**	**1,078**	**338**	**6,814**
Carrying amount at 31 December 2012	**2,364**	**1,278**	**573**	**1,170**	**1,016**	**262**	**6,663**

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	2012	2013
Land and buildings	47	155
Technical equipment and machinery	5	3
Other equipment, operating and office equipment	12	10
Aircraft	212	160
Vehicle fleet and transport equipment	4	2
Finance leases	**280**	**330**

The increase in land and buildings under finance leases is due to newly leased delivery bases in Germany. Information on the corresponding liabilities can be found under financial liabilities; Note 46.3.

26 Investment property

26.1 Overview

€m	2012	2013
Cost		
At 1 January	61	53
Additions	0	2
Reclassifications	–6	–8
Disposals	–2	–4
Currency translation differences	0	0
At 31 December	**53**	**43**
Depreciation		
At 1 January	21	10
Additions	0	1
Impairment losses	0	1
Disposals	0	–2
Reclassifications	–11	0
At 31 December	**10**	**10**
Carrying amount at 31 December	**43**	**33**

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

The reclassification to property, plant and equipment during the year related to a property in Berlin that is used for business purposes.

Rental income for investment property amounted to €1 million (previous year: €3 million), whilst the related expenses were less than €1 million (previous year: €3 million). The fair value amounted to €74 million (previous year: €82 million).

26.2 Fair value measurement under IFRS 13

The following table shows the fair value of the investment property measured using the valuation techniques. The term property also covers undeveloped land.

Investment property at 31 December 2013

€m	Carrying amount	Fair value	Level 1[1]	Level 2[2]	Level 3[3]
Property – Germany	21	58	–	14	44
Property – Angola	2	2	–	–	2
Property – USA	10	14	–	14	–

[1] Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Level 2: quoted market prices that are observable directly (as a price) or indirectly (derived from the price).
[3] Level 3: inputs that are not based on observable market data.

Fair value is determined using the comparison, investment and discounted cash flow (DCF) methods. The main inputs are shown in the table below. Valuations are based on external and/or internal expert opinions as well as offered quotes. In some cases, inputs are based on criteria such as the size, age and condition of the land and buildings, the local economy and comparable prices, and are adjusted accordingly.

Information on fair value measurement: 2013

	Fair value €m	Valuation technique	Inputs	Input range	Weighted average
Developed land – Germany	14	Comparison method	Price per m²	€270–€470/m²	€370/m²
Leased property encumbered by heritable building rights – Germany	39	Investment method	Price per m²	–	–
Warehouse – Germany	5	DCF method	Expected rental income	–	€650 thousand p.a. less expenses
Property – Angola	2	Offered quotes	–	–	–
Property – USA	14	Comparison method	Price per acre	US$90 thousand–115 thousand/acre	US$105 thousand/acre

There were no transfers between levels in financial year 2013.

27 Investments in associates

Investments in associates changed as follows:

€m	2012	2013
At 1 January	44	46
Additions	3	0
Changes in Group's share of equity		
Changes recognised in profit or loss	2	2
Profit distributions	–1	0
Reclassified to current assets	–2	0
Carrying amount at 31 December	**46**	**48**

Investments in associates principally relate to Air Hong Kong Ltd, China, Danzas AEI Emirates LLC, United Arab Emirates, Tasman Cargo Airlines Pty. Limited, Australia, and DHL Oman. 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 following tables show a summary of the aggregate income statements and balance sheets of the associates. The amounts do not relate to the shares attributable to Deutsche Post DHL, but are presented based on a notional 100% shareholding.

Aggregate results

€m	2012	2013
Revenue	646	667
Net profit for the year	3	6

Aggregate balance sheets

€m	2012	2013
Assets	469	450
Liabilities and provisions	373	453

28 Non-current financial assets

€m	2012	2013
Available-for-sale financial assets	162	256
Loans and receivables	737	729
Assets at fair value through profit or loss	115	107
Lease receivables	25	32
Non-current financial assets	**1,039**	**1,124**

Write-downs of non-current financial assets amounting to €4 million (previous year: €6 million) were recognised in the income statement because the assets were impaired. All €4 million (previous year: €6 million) is attributable to assets at fair value through profit or loss.

Compared with the market rates of interest prevailing at 31 December 2013 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 €20 million (previous year: €26 million). The principal amount of these loans totals €22 million (previous year: €27 million).

Details on restraints on disposal are contained in Note 50.2.

29 Other non-current assets

€m	1 Jan. 2012	2012	2013
Pension assets[1]	162	198	120
Miscellaneous	118	100	64
Other non-current assets	**280**	**298**	**184**

[1] Prior-year amount adjusted Note 4.

Further information on pension assets can be found in Note 44.

30 Deferred taxes

€m	1 Jan. 2012	2012	2013
Deferred tax assets[1]	1,206	1,328	1,327
Deferred tax liabilities[1]	186	156	124

[1] Prior-year amount adjusted Note 4.

€m	2012		2013	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	37	173	33	171
Property, plant and equipment	93	46	110	47
Non-current financial assets	18	59	8	55
Other non-current assets	7	25	42	38
Other current assets	38	33	71	63
Provisions	295	13	358	27
Financial liabilities	124	11	28	18
Other liabilities	104	45	150	17
Tax loss carryforwards	861	–	839	–
Gross amount	**1,577**	**405**	**1,639**	**436**
Netting	−249	−249	−312	−312
Carrying amount	**1,328**	**156**	**1,327**	**124**

€738 million (previous year: €602 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €101 million (previous year: €259 million) to foreign tax loss carryforwards. The decrease in deferred taxes recognised for foreign tax loss carryforwards results from a more detailed analysis of the allocation of usable deferred tax assets in the USA to temporary differences or tax loss carryforwards.

No deferred tax assets were recognised for tax loss carryforwards of around €11.2 billion (previous year: €11.9 billion) and for temporary differences of around €4,113 million (previous year: €4,184 million), as it can be assumed that the Group will probably not be able to use these tax loss carryforwards and temporary differences in its tax planning.

Most of the tax loss carryforwards are attributable to Deutsche Post AG. It will be possible to utilise them for an indefinite period of time. In the case of the foreign companies, the significant tax loss carryforwards will not lapse before 2023.

Deferred taxes have not been recognised for temporary differences of €631 million (previous year: €563 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

Maturity structure

€m	Short-term	Long-term	Netting	Total
2013				
Deferred tax assets	486	1,153	−312	**1,327**
Deferred tax liabilities	169	267	−312	**124**
2012				
Deferred tax assets	492	1,085	−249	**1,328**
Deferred tax liabilities	125	280	−249	**156**

31 Inventories

Standard costs for inventories of postage stamps and spare parts in freight centres amounted to €15 million (previous year: €15 million). There was no requirement to charge significant valuation allowances on these inventories.

€m	2012	2013
Raw materials, consumables and supplies	184	183
Work in progress	60	126
Finished goods and goods purchased and held for resale	52	69
Spare parts for aircraft	25	21
Advance payments	1	4
Inventories	**322**	**403**

32 Current financial assets

€m	2012	2013
Available-for-sale financial assets	24	611
Loans and receivables	77	63
Financial assets at fair value through profit or loss	109	140
Lease receivables	42	7
Current financial assets	**252**	**821**

The increase in current financial assets is attributable to the investment of excess funds in money market funds.

Of the available-for-sale financial assets, €611 million (previous year: €24 million) was measured at fair value. Details on restraints on disposal are contained in Note 50.2.

33 Trade receivables

€m	1 Jan. 2012	2012	2013
Trade receivables[1]	6,426	6,418	6,507
Deferred revenue	481	534	528
Receivables from Group companies	27	7	5
Trade receivables	**6,934**	**6,959**	**7,040**

[1] Prior-year amount adjusted Note 4.

34 Other current assets

€m	1 Jan. 2012[1]	2012[1]	2013
Prepaid expenses	672	679	634
Current tax receivables	586	491	490
Receivables from private postal agencies	8	148	157
Income from cost absorption	86	61	71
Creditors with debit balances	38	43	33
Receivables from loss compensation (recourse claims)	23	25	25
Receivables from employees	25	23	25
Receivables from insurance business	16	20	20
Receivables from sale of assets	29	0	6
Receivables from cash-on-delivery	13	7	5
Receivables from Bundes-Pensions-Service für Post und Telekommunikation e.V.	11	0	0
Miscellaneous other assets	648	656	755
Other current assets	**2,155**	**2,153**	**2,221**

[1] Prior-year amounts adjusted Note 4.

Of the tax receivables, €366 million (previous year: €373 million) relates to VAT, €83 million (previous year: €68 million) to customs and duties, and €41 million (previous year: €50 million) to other tax receivables. Miscellaneous other assets include a large number of individual items.

35 Income tax assets and liabilities

€m	2012	2013
Income tax assets	127	168
Income tax liabilities	534	430

All income tax assets and liabilities are current and have maturities of less than one year.

36 Cash and cash equivalents

€m	2012	2013
Cash equivalents	884	2,078
Bank balances/cash in transit	1,430	1,222
Cash	13	22
Other cash and cash equivalents	73	95
Cash and cash equivalents	**2,400**	**3,417**

37 Assets held for sale and liabilities associated with assets held for sale

37.1 Overview

The amounts reported under this item mainly relate to the following:

€m	Assets		Liabilities	
	2012	2013	2012	2013
Deutsche Post AG – real estate (Corporate Center/Other)	22	20	0	0
Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG, Germany – real estate (Corporate Center/Other)	0	20	0	0
Exel Inc., USA – real estate (SUPPLY CHAIN segment)	9	2	0	0
DHL Fashion (France) SAS, France – fashion logistics (SUPPLY CHAIN segment)	13	0	18	0
Investment in All you need GmbH, Germany – (MAIL segment)	11	0	1	0
DHL Logistics (China) Co. Ltd., China – real estate (SUPPLY CHAIN segment)	8	0	7	0
Cargus International S.R.L., Romania – domestic express business (EXPRESS segment)	7	0	4	0
Deutsche Post Immobilien GmbH, Germany – real estate (Corporate Center/Other)	4	0	0	0
US Express Aviation, USA – aircraft (EXPRESS segment)	2	0	0	0
Assets held for sale and liabilities associated with assets held for sale	**76**	**42**	**30**	**0**

The sales of Cargus International, ITG Group, Exel Direct Inc. and DHL Fashion (France) were completed; Note 2.

DEUTSCHE POST AG

Deutsche Post AG plans to sell two properties in Großzöberitz-Heideloh and Berlin. The most recent appraisal of the assets prior to reclassification did not result in any impairment.

DEUTSCHE POST DHL CORPORATE REAL ESTATE MANAGEMENT GMBH & CO. LOGISTIKZENTREN KG

The company plans to sell a property in Hamburg. The assets and liabilities were reclassified as held for sale in accordance with IFRS 5. The most recent appraisal of the assets prior to reclassification did not result in any impairment.

EXEL INC.

The company plans to sell two commercial buildings and an industrial site in Pennsylvania.

ALL YOU NEED GMBH

In the third quarter of 2013, the Board of Management resolved not to pursue its plan to resell All you need GmbH, Berlin, which was acquired in financial year 2012. The company has been fully consolidated. Detailed information can be found in Note 2.

37.2 Fair value measurement under IFRS 13

In accordance with IFRS 5, assets held for sale and liabilities associated with 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 their carrying amount.

The following table shows how the fair values were measured on a non-recurring basis using different inputs.

Assets held for sale and liabilities associated with assets held for sale at 31 December 2013

€m	Level 1[1]	Level 2[2]	Level 3[3]
Deutsche Post AG – real estate	–	–	20
Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG, Germany – real estate	–	–	20
Exel Inc., USA – real estate	–	2	–

[1] Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Level 2: quoted market prices that are observable directly (as a price) or indirectly (derived from the price).
[3] Level 3: inputs that are not based on observable market data.

The fair values of the properties held for sale by Deutsche Post AG and Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG are determined on the basis of level 3 inputs. These are quotes offered by potential buyers.

External expert appraisals are available to determine the fair value of the land and buildings held for sale in the USA. The comparison method is used to determine fair value. The inputs which are assigned to level 2 are partly based on criteria such as the size, age and condition of the land and buildings, the local economy and comparable prices, and are adjusted accordingly. The principal input is the price per acre.

There were no transfers between levels in financial year 2013.

38 Issued capital

38.1 Share capital

The convertible bond on Deutsche Post AG shares issued by KfW Bankengruppe (KfW) had been fully converted by the end of July 2013. KfW held a 21% interest in the share capital of Deutsche Post AG as at 13 December 2013 (previous year: 25.5%); the remaining 79% of the shares are in free float (previous year: 74.5%). KfW holds the shares in trust for the federal government.

Share ownership at 31 December

number of shares	2012	2013
KfW	308,277,358	253,861,436
Free float	900,738,516	955,154,438
Share capital at 31 December	**1,209,015,874**	**1,209,015,874**

38.2 Issued capital and purchase of treasury shares

The issued capital amounts to €1,209 million. It is composed of 1,209,015,874 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share and is fully paid up.

Changes in issued capital

€	2012	2013
At 1 January	1,209,015,874	1,209,015,874
Treasury shares acquired	–1,770,503	–1,313,727
Treasury shares issued	1,770,503	1,313,727
At 31 December	**1,209,015,874**	**1,209,015,874**

Deutsche Post AG acquired 1.3 million shares at a total price of €23.5 million, including transaction costs, in a number of transactions in order to settle entitlements due under the bonus programme for executives (Share Matching Scheme). In addition to the 2012 tranche, this includes 14 thousand shares issued to persons who have since left the Group. Consequently, issued capital was reduced by the notional value of the shares purchased. The average purchase price per share was €17.94. The issued capital increased again when the shares were issued to the executives.

The notional value of the treasury shares is deducted from issued capital, and the difference between the notional value and the reported value of the treasury shares is deducted from retained earnings.

Changes in treasury shares are presented in the statement of changes in equity.

Authorised/contingent capital at 31 December 2013

	Amount €m	Purpose
Authorised Capital 2009	–	Increase in share capital against cash/non-cash contributions (until 20 April 2014)
Authorised Capital 2013	240	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)

Authorised Capital 2009

As resolved by the Annual General Meeting on 21 April 2009, the Board of Management was authorised, subject to the consent of the Supervisory Board, to issue up to 240 million new, no-par value registered shares until 20 April 2014 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. Shareholders generally have subscription rights. To date, the Board of Management has not made use of such authorisation. Since this authorisation lapses on 20 April 2014, the Annual General Meeting on 29 May 2013 resolved to replace it with a new authorisation for the same amount (Authorised Capital 2013).

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 April 2018 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. 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.

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.

Based on this authorisation, Deutsche Post AG issued a €1 billion convertible bond on 6 December 2012, allowing holders to convert the bond into up to 48 million Deutsche Post AG shares. Full use was made of the authorisation by issuing the bond. The share capital is increased on a contingent basis by up to €75 million.

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 is increased on a contingent basis by up to €75 million.

38.3 Authorisation to acquire treasury shares

By way of a resolution adopted by the Annual General Meeting on 28 April 2010, the company is authorised to acquire treasury shares in the period to 27 April 2015 of up to 10% of the share capital existing when the resolution was adopted. The authorisation permits the Board of Management to exercise it for every purpose permitted by law, and in particular to pursue the goals mentioned in the resolution by the Annual General Meeting.

At the Annual General Meeting on 9 May 2012, the authorisation to acquire treasury shares was supplemented. In future, treasury shares acquired on the basis of the authorisation, with shareholders' subscription rights disapplied, may also be used for the purposes of listing on a stock exchange outside Germany.

In addition, the Board of Management is authorised to acquire treasury shares using derivatives.

As on 31 December 2012, Deutsche Post AG did not hold any treasury shares on 31 December 2013.

38.4 Disclosures on corporate capital

The equity ratio was 28.3% in financial year 2013 (previous year, adjusted: 27.3%). 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	2012	2013
Total financial liabilities	4,776	5,881
Less cash and cash equivalents	–2,400	–3,417
Less current financial assets	–252	–821
Less long-term deposits	–57	–55
Less non-current derivative financial instruments	–115	–107
Net debt	**1,952**	**1,481**
Plus total equity	9,228	10,048
Total capital	**11,180**	**11,529**
Net gearing ratio (%)	17.5	12.8

39 Capital reserves

€m	2012	2013
Capital reserves at 1 January	2,170	2,254
Share Matching Scheme		
Addition/issue of rights under Share Matching Scheme		
2009 tranche	2	1
2010 tranche	4	3
2011 tranche	18	4
2012 tranche	10	17
2013 tranche	0	10
Exercise of rights under Share Matching Scheme		
2011 tranche	–24	0
2012 tranche	0	–20
	10	15
Conversion right	74	0
Capital reserves at 31 December	**2,254**	**2,269**

An amount of €35 million (31 December 2012: €34 million) was transferred to the capital reserves in the period up to 31 December 2013 for the various tranches of the Share Matching Scheme.

The exercise of the rights to shares under the 2012 tranche reduced the capital reserves by €20 million (previous year: €24 million for the 2011 tranche) due to the issuance of treasury shares in this amount to the executives.

On issue of the convertible bond on Deutsche Post AG shares, the conversion right was recognised in capital reserves; Note 46.

40 Other reserves

€m	1 Jan. 2012[1]	2012[1]	2013
IFRS 3 revaluation reserve	5	3	2
IAS 39 revaluation reserve	90	–1	68
IAS 39 hedging reserve	–34	–7	37
Currency translation reserve	–517	–470	–926
Other reserves	**–456**	**–475**	**–819**

[1] Prior-year amounts adjusted Note 4.

40.1 IFRS 3 revaluation reserve

€m	2012	2013
At 1 January	5	3
Changes recognised in other comprehensive income	–2	–1
IFRS 3 revaluation reserve at 31 December	**3**	**2**

The IFRS 3 revaluation reserve includes the hidden reserves of DHL Logistics Co. Ltd., China, from purchase price allocation. These are attributable to the customer relationships contained in the 50% interest held previously and to adjustments to deferred taxes.

40.2 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	2012	2013
At 1 January	93	0
Currency translation differences	0	1
Unrealised gains/losses	–12	76
Share of associates	–81	0
Realised gains/losses	0	0
IAS 39 revaluation reserve at 31 December before tax	**0**	**77**
Deferred taxes	–1	–9
IAS 39 revaluation reserve at 31 December after tax	**–1**	**68**

40.3 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	2012	2013
At 1 January	–39	–3
Additions	–29	111
Disposals in balance sheet (basis adjustment)	6	0
Disposals in income statement	59	–49
IAS 39 hedging reserve at 31 December before tax	**–3**	**59**
Deferred taxes	–4	–22
IAS 39 hedging reserve at 31 December after tax	**–7**	**37**

The change in the hedging reserve is mainly the result of the recognition of previously unrealised gains and losses from hedging future operating currency transactions. In the financial year, unrealised losses totalling €25 million and unrealised gains totalling €75 million from the hedging reserve were recognised in operating profit (previous year: unrealised losses of €60 million and unrealised gains of €1 million). There were no disposals in net finance costs in financial year 2013, as in the previous year, and no adjusting entries (basis adjustments) for hedging transactions related to the acquisition of non-current non-financial assets (previous year: €6 million). Deferred taxes have been recognised in respect of the hedging reserve.

40.4 Currency translation reserve

The currency translation reserve includes the translation gains and losses from the consolidation of the subsidiaries reporting in foreign currency.

€m	2012[1]	2013
At 1 January	–517	–470
Transactions with non-controlling interests	–2	–5
Comprehensive income		
Changes from unrealised gains and losses[1]	2	–453
Changes from realised gains and losses[1]	47	2
Currency translation reserve at 31 December	**–470**	**–926**

[1] Prior-year amounts adjusted Note 4.

41 Retained earnings

As well as the undistributed consolidated profits generated in prior periods, retained earnings also contain the effects from transactions with non-controlling interests. Changes in the reserves during the financial year are also presented in the statement of changes in equity.

€m	2012[1]	2013
At 1 January	6,366	6,031
Dividend payment	–846	–846
Consolidated net profit for the period	1,640	2,091
Transactions with non-controlling interests	61	–61
Change due to remeasurements of net pension provisions	–1,190	–15
Miscellaneous other changes	0	–2
Retained earnings at 31 December	**6,031**	**7,198**

[1] Prior-year amounts adjusted Note 4.

For information on the change due to remeasurements of net pension provisions, see Note 4.

The dividend payment to Deutsche Post AG shareholders of €846 million was made in May 2013. This corresponds to a dividend of €0.70 per share.

The transactions with non-controlling interests reported in the current financial year include an option to acquire the remaining 40% interest in Giorgio Gori Group, Italy, and the acquisition of the remaining 49.9% interest in Tradeteam Limited, UK.

In the previous year, these transactions comprised the sale of 6.03% of the shares in Blue Dart Express Limited, India, in which the previous interest was 81.03%, and the acquisition of the remaining 24% interest in DHL Logistics Private Limited, India.

Changes in treasury shares are presented in the statement of changes in equity.

42 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2013 amounted to €9,857 million (1 January 2012, adjusted: €9,289 million; 31 December 2012, adjusted: €9,019 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €1,726 million reported in Deutsche Post AG's annual financial statements in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code). The amount of €759 million remaining after deduction of the planned total dividend of €967 million (which corresponds to €0.80 per share) will be carried forward; see also Note 59.

	Total dividend €m	Dividend per share €
Dividend distributed in financial year 2013 for the year 2012	846	0.70
Dividend distributed in financial year 2012 for the year 2011	846	0.70

The dividend is tax-exempt for shareholders resident in Germany. No capital gains tax (investment income tax) will be withheld on the distribution.

43 Non-controlling interests

€m	1 Jan. 2012[1]	2012	2013
Non-controlling interests[1]	189	209	191

[1] Prior-year amount adjusted Note 4.

This balance sheet item includes adjustments for the interests of non-Group shareholders in the consolidated equity from acquisition accounting, as well as their interests in profit or loss. The interests relate primarily to the following companies:

€m	2012[1]	2013
DHL Sinotrans International Air Courier Ltd., China	107	115
Blue Dart Express Limited, India	29	23
Tradeteam Limited, UK	13	0
Other companies	60	53
Non-controlling interests	**209**	**191**

[1] Prior-year amounts adjusted Note 4.

The remaining interest in Tradeteam Limited, UK, was acquired in financial year 2013.

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	2012	2013
Balance at 1 January	–5	–5
Transactions with non-controlling interests	2	5
Comprehensive income		
Changes from unrealised gains and losses	–2	–11
Changes from realised gains and losses	0	0
Currency translation reserve at 31 December	**–5**	**–11**

44 Provisions for pensions and similar obligations

€m	1 Jan. 2012[1]	2012[1]	2013
Provisions for pensions and similar obligations	6,055	5,216	5,017

[1] Prior-year amount adjusted Note 4.

The Group's most important defined benefit retirement plans are in Germany and the UK.

In Germany, Deutsche Post AG has an occupational retirement plan dating back to 1997 based on a collective agreement, which is open to new hourly workers and salaried employees. The plan is based on fixed benefit amounts and provides 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 hourly workers and salaried employees actively employed and 1.00% for retirees. The plan also provides for invalidity benefits and surviving dependents' benefits. Negative past service cost was recognised in the reporting year due to an internal change in the conditions for access to certain invalidity benefits. Retirement plans with a similar structure are available to executives below the management board level and to specific employee groups who can make use of 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 salaried employees and wage earners actively employed is subject to an annual rate of increase of 1.45%. These retirement plans are based on the *Betriebsrentengesetz* (BetrAVG – German Occupational Pension Act), in addition to collective agreements and other plan documents. The prime source of external funding is a captive trust that also services 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, in the case of the support fund, on an ongoing basis in line with tax law options. In the case of the pension fund the supervisory funding requirements are, in principle, 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 is invested in 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.

In the UK, the Group's defined benefit plans have largely been closed to new entrants for a number of years. In addition, Deutsche Post DHL committed itself to a change in its pension strategy in the UK on 26 November 2013. The plans will also largely be closed for further service accrual as of 1 April 2014. As a result, negative past service cost was recognised in financial year 2013 as shown in the tables below (before closure costs and transitional payments). With effect from 1 April 2014, the employees affected will be able to participate in a defined contribution plan. The majority of the (defined benefit) plans have been consolidated into a single plan with different sections for the participating divisions. These are largely funded via a master 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. At present, eligible employees make their own contributions to retirement plan funding or waive a portion of their salary. These (defined benefit) plans are based primarily on the corresponding trust agreements and the UK Pensions Act.

A wide variety of other defined benefit 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 plan. This final salary scheme provides for monthly pension payments that increase in line with the agreed 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.

In the USA, the companies' defined benefit plans have been closed to new entrants and accrued entitlements have been frozen.

The Group companies in these three countries primarily use joint funding institutions within the Group. In the Netherlands and in Switzerland, both employers and employees contribute to plan funding. In the USA no contributions are currently made to the companies' defined benefit plans. There were no material amendments, curtailments or settlements affecting the Group's defined benefit plans in the Other area.

Various risks arise in the context of defined benefit 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.

44.1 Calculation of the balance sheet items

The balance sheet items were arrived at as follows:

€m	Germany	UK	Other	Total
31 December 2013				
Present value of defined benefit obligations at 31 December	8,439	4,395	1,963	**14,797**
Fair value of plan assets at 31 December	–4,119	–4,034	–1,752	**–9,905**
Surplus (–)/deficit (+) at 31 December	4,320	361	211	**4,892**
Effect of asset ceilings at 31 December	0	1	4	**5**
Net pension provisions at 31 December	**4,320**	**362**	**215**	**4,897**
Reported separately				
Pension assets at 31 December	0	18	102	**120**
Provisions for pensions and similar obligations at 31 December	4,320	380	317	**5,017**
31 December 2012				
Present value of defined benefit obligations at 31 December	8,608	4,116	2,051	**14,775**
Fair value of plan assets at 31 December	–4,129	–3,936	–1,693	**–9,758**
Surplus (–)/deficit (+) at 31 December	4,479	180	358	**5,017**
Effect of asset ceilings at 31 December	0	1	0	**1**
Net pension provisions at 31 December	**4,479**	**181**	**358**	**5,018**
Reported separately				
Pension assets at 31 December	0	120	78	**198**
Provisions for pensions and similar obligations at 31 December	4,479	301	436	**5,216**

In the Other area, the Netherlands, Switzerland and the USA account for a share in the present value of the defined benefit obligations of 42%, 24% and 11%, respectively (31 December 2012: 40%, 24% and 13%).

Additionally, rights to reimbursement from former Group companies existed in the Group in Germany in the amount of around €14 million (largely unchanged year-on-year) which are reported separately. Consequently, benefit payments are being made directly by the former Group companies.

44.2 Present value of defined benefit obligations

The present value of defined benefit obligations changed as follows:

€m	Germany	UK	Other	Total
2013				
Present value of defined benefit obligations at 1 January	8,608	4,116	2,051	**14,775**
Current service cost, excluding employee contributions	111	34	41	**186**
Interest cost on defined benefit obligations	314	176	66	**556**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	–33	237	5	**209**
Actuarial gains (–)/losses (+) – changes in financial assumptions	–68	156	–103	**–15**
Actuarial gains (–)/losses (+) – experience adjustments	25	0	3	**28**
Past service cost	–58	–75	–3	**–136**
Settlement gains (–)/losses (+)	0	0	0	**0**
Employee contributions	10	11	15	**36**
Benefit payments	–471	–173	–77	**–721**
Settlement payments	0	0	–2	**–2**
Transfers	4	0	1	**5**
Acquisitions/divestitures	–3	0	–1	**–4**
Currency translation effects	0	–87	–33	**–120**
Present value of defined benefit obligations at 31 December	**8,439**	**4,395**	**1,963**	**14,797**
2012				
Present value of defined benefit obligations at 1 January	7,474	3,951	1,835	**13,260**
Current service cost, excluding employee contributions	88	32	36	**156**
Interest cost on defined benefit obligations	357	191	74	**622**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	0	–11	23	**12**
Actuarial gains (–)/losses (+) – changes in financial assumptions	1,106	173	170	**1,449**
Actuarial gains (–)/losses (+) – experience adjustments	51	–150	–25	**–124**
Past service cost	0	0	1	**1**
Settlement gains (–)/losses (+)	0	0	0	**0**
Employee contributions	9	13	15	**37**
Benefit payments	–480	–179	–80	**–739**
Settlement payments	0	0	0	**0**
Transfers	1	0	3	**4**
Acquisitions/divestitures	2	0	0	**2**
Currency translation effects	0	96	–1	**95**
Present value of defined benefit obligations at 31 December	**8,608**	**4,116**	**2,051**	**14,775**

The key financial assumptions are as follows:

%	Germany	UK	Other	Total
31 December 2013				
Discount rate	3.75	4.50	3.48	**3.94**
Expected rate of future salary increase p.a.	2.50	4.50	2.12	**3.06**
Expected rate of future pension increase p.a.	2.00	2.96	1.06	**2.20**
31 December 2012				
Discount rate	3.70	4.50	3.19	**3.85**
Expected rate of future salary increase p.a.	2.50	3.50	2.35	**2.77**
Expected rate of future pension increase p.a.	2.00	2.80	1.07	**2.14**

The discount rates for defined benefit obligations in the euro zone and the UK were each derived from a yield curve comprising the yields of AA rated corporate bonds. Country-specific factors were taken into account. For other countries, the discount rate was determined in a similar way, provided there was a deep market for AA or 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 increases 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% (2012: 1.00%).

The key 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 British retirement plans was based on the mortality rates used for the last funding valuation. These are based on plan-specific mortality analyses and include an allowance for an expected increase in future life expectancy. Other countries used their own, current standard mortality tables.

If one of the key 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 2013					
Discount rate	+1.00	–12.31	–16.14	–13.41	**–13.59**
	–1.00	15.63	19.58	17.20	**17.01**
Expected rate of future salary increase	+0.50	0.17	1.06	1.44	**0.60**
	–0.50	–0.15	–1.21	–1.30	**–0.62**
Expected rate of future pension increase	+0.50	0.30	4.09	5.81	**2.15**
	–0.50	–0.27	–4.08	–4.14	**–1.91**

These are effective weighted changes in the present value of the various defined benefit obligations, e.g., taking into account the largely fixed nature of pension increases 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 4.63% in Germany and by 3.53% in the UK. The corresponding increase for other countries would be 2.40%, for a total increase of 4.01%.

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 2013 was 14.3 years in Germany (previous year: 14.1 years) and 18.5 years in the UK (previous year: 17.5 years). In the other countries it was 15.5 years (previous year: 16.2 years), and in total it was 15.7 years (previous year: 15.3 years).

A total of 27.6% (previous year: 27.2%) of the present value of the defined benefit obligations was attributable to future beneficiaries still working for the company, 16.2% (previous year: 15.7%) to future beneficiaries no longer with the company and 56.2% (previous year: 57.1%) to pensioners.

44.3 Fair value of plan assets

The fair value of the plan assets changed as follows:

€m	Germany	UK	Other	Total
2013				
Fair value of plan assets at 1 January	4,129	3,936	1,693	**9,758**
Interest income on plan assets	153	168	54	**375**
Return on plan assets excluding interest income	30	96	50	**176**
Other administration costs in accordance with IAS 19.130	0	–6	–3	**–9**
Employer contributions	143	83	37	**263**
Employee contributions	0	11	15	**26**
Benefit payments	–337	–173	–66	**–576**
Settlement payments	0	0	–2	**–2**
Transfers	1	0	0	**1**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	–81	–26	**–107**
Fair value of plan assets at 31 December	**4,119**	**4,034**	**1,752**	**9,905**
2012				
Fair value of plan assets at 1 January	2,106	3,714	1,549	**7,369**
Interest income on plan assets	101	180	63	**344**
Return on plan assets excluding interest income	9	29	99	**137**
Other administration costs in accordance with IAS 19.130	–9	–5	–3	**–17**
Employer contributions	2,122	93	43	**2,258**
Employee contributions	0	13	15	**28**
Benefit payments	–196	–178	–71	**–445**
Settlement payments	0	0	0	**0**
Transfers	–4	0	3	**–1**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	90	–5	**85**
Fair value of plan assets at 31 December	**4,129**	**3,936**	**1,693**	**9,758**

The fair value of the plan assets can be broken down as follows:

€m	Germany	UK	Other	Total
31 December 2013				
Equities	622	872	632	**2,126**
Fixed income securities	1,227	2,488	658	**4,373**
Real estate	1,030	150	193	**1,373**
Alternatives	314	469	53	**836**
Insurances	582	0	92	**674**
Cash	205	14	33	**252**
Other	139	41	91	**271**
Fair value of plan assets	**4,119**	**4,034**	**1,752**	**9,905**
31 December 2012				
Equities	162	828	614	**1,604**
Fixed income securities	368	2,395	642	**3,405**
Real estate	1,010	48	200	**1,258**
Alternatives	53	632	47	**732**
Insurances	187	0	95	**282**
Cash	2,347	19	30	**2,396**
Other	2	14	65	**81**
Fair value of plan assets	**4,129**	**3,936**	**1,693**	**9,758**

Quoted prices in an active market exist for around 80% (previous year: 85%) 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: 12% (previous year: 11%) to real estate, 6% (previous year: 3%) to insurances, 1% (previous year: 1%) to alternatives and 1% (previous year: 0%) to other. The majority of the investments on the active markets are globally diversified, with country-specific focus areas.

Real estate with a fair value of €1,016 million (previous year: €995 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, among 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.

44.4 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 to reach the level of the present value of the benefits (asset ceiling). Apart from this, asset ceilings had no effect as at 31 December 2013, as in the previous year. See Table 44.1 for amounts and changes compared with the previous year.

44.5 Net pension provisions

Net pension provisions changed as follows:

€m	Germany	UK	Other	Total
2013				
Net pension provisions at 1 January	4,479	181	358	**5,018**
Service cost[1]	53	–35	41	**59**
Net interest cost	161	8	12	**181**
Remeasurements	–106	297	–141	**50**
Employer contributions	–143	–83	–37	**–263**
Employee contributions	10	0	0	**10**
Benefit payments	–134	0	–11	**–145**
Settlement payments	0	0	0	**0**
Transfers	3	0	1	**4**
Acquisitions/divestitures	–3	0	–1	**–4**
Currency translation effects	0	–6	–7	**–13**
Net pension provisions at 31 December	**4,320**	**362**	**215**	**4,897**
2012				
Net pension provisions at 1 January	5,368	238	287	**5,893**
Service cost[1]	97	37	40	**174**
Net interest cost	256	11	11	**278**
Remeasurements	1,148	–17	68	**1,199**
Employer contributions	–2,122	–93	–43	**–2,258**
Employee contributions	9	0	0	**9**
Benefit payments	–284	–1	–9	**–294**
Settlement payments	0	0	0	**0**
Transfers	5	0	0	**5**
Acquisitions/divestitures	2	0	0	**2**
Currency translation effects	0	6	4	**10**
Net pension provisions at 31 December	**4,479**	**181**	**358**	**5,018**

[1] Including other administration costs in accordance with IAS 19.130 from plan assets.

Payments amounting to €422 million are expected with regard to net pension provisions in 2014. Of this amount, €206 million is attributable to the Group's expected direct benefit payments and €216 million to expected employer contributions to pension funds.

44.6 Components of defined benefit cost

The components of defined benefit cost are as follows:

€m	Germany	UK	Other	Total
2013				
Current service cost, excluding employee contributions	111	34	41	**186**
Past service cost	–58	–75	–3	**–136**
Settlement gains (–)/losses (+)	0	0	0	**0**
Other administration costs in accordance with IAS 19.130	0	6	3	**9**
Service cost[1]	**53**	**–35**	**41**	**59**
Interest cost on defined benefit obligations	314	176	66	**556**
Interest income on plan assets	–153	–168	–54	**–375**
Interest on the effect of asset ceilings	0	0	0	**0**
Net interest cost	**161**	**8**	**12**	**181**
Actuarial gains (–)/losses (+) – total	–76	393	–95	**222**
Return on plan assets excluding interest income	–30	–96	–50	**–176**
Change in effect of asset ceilings excluding interest	0	0	4	**4**
Remeasurements	–106	297	–141	**50**
Cost of defined benefit plans	**108**	**270**	**–88**	**290**
2012				
Current service cost, excluding employee contributions	88	32	36	**156**
Past service cost	0	0	1	**1**
Settlement gains (–)/losses (+)	0	0	0	**0**
Other administration costs in accordance with IAS 19.130	9	5	3	**17**
Service cost[1]	**97**	**37**	**40**	**174**
Interest cost on defined benefit obligations	357	191	74	**622**
Interest income on plan assets	–101	–180	–63	**–344**
Interest on the effect of asset ceilings	0	0	0	**0**
Net interest cost	**256**	**11**	**11**	**278**
Actuarial gains (–)/losses (+) – total	1,157	12	168	**1,337**
Return on plan assets excluding interest income	–9	–29	–99	**–137**
Change in effect of asset ceilings excluding interest	0	0	–1	**–1**
Remeasurements	1,148	–17	68	**1,199**
Cost of defined benefit plans	**1,501**	**31**	**119**	**1,651**

[1] Including other administration costs in accordance with IAS 19.130 from plan assets.

€59 million of the cost of defined benefit plans (previous year: €174 million) related to staff costs, €181 million (previous year: €278 million) to net other finance costs and €50 million (previous year: €1,199 million) to other comprehensive income.

44.7 Risk

A number of risks that are material to the company and the plans exist in relation to the defined benefit plans. Opportunities for risk mitigation are used in line with the specifics of the plans concerned.

INTEREST RATE RISK

A decrease (increase) in the 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. This risk to the present value of the defined benefit obligations has been mitigated in the case of Germany, for example, by switching to a plan involving fixed benefit amounts. In the case of the UK, the risk has been mitigated by largely closing defined benefit plans, setting a fixed rate of increase, capping increases or providing for lump sum payments. Additionally, there is a positive correlation with interest.

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.

45 Other provisions

€m	1 Jan. 2012	2012	2013
Other non-current provisions[1]	2,117	1,943	1,574
Other current provisions	2,134	1,663	1,745
Other provisions[1]	**4,251**	**3,606**	**3,319**

[1] Prior-year amount adjusted Note 4.

€m	Non-current		Current		Total	
	2012[1]	2013	2012	2013	2012	2013
Other employee benefits[1]	827	745	253	311	1,080	1,056
Restructuring provisions	383	109	298	425	681	534
Technical reserves (insurance)	397	402	194	203	591	605
Postage stamps	0	0	450	400	450	400
Tax provisions	0	0	127	116	127	116
Miscellaneous provisions	336	318	341	290	677	608
	1,943	1,574	1,663	1,745	3,606	3,319

[1] Prior-year amount adjusted Note 4.

45.1 Changes in other provisions

€m	Other employee benefits[1]	Restructuring provisions	Technical reserves (insurance)	Postage stamps	Tax provisions	Miscellaneous provisions	Total
At 1 January 2013	1,080	681	591	450	127	677	3,606
Changes in consolidated group	0	0	0	0	1	0	1
Utilisation	–583	–146	–51	–450	–66	–217	–1,513
Currency translation differences	–17	–20	–5	0	–6	–18	–66
Reversal	–29	–79	–20	0	–25	–97	–250
Unwinding of discount/changes in discount rate	1	0	1	0	0	4	6
Reclassification	13	–17	–6	0	0	5	–5
Additions	591	115	95	400	85	254	1,540
At 31 December 2013	**1,056**	**534**	**605**	**400**	**116**	**608**	**3,319**

[1] Prior-year amounts adjusted Note 4.

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 settlement payment obligations assumed in the USA, rentals for idle plant, termination benefits for employees (partial retirement programmes, transitional benefits) and expenses from the closure of terminals, for example.

Technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR reserves; further details can be found in Note 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, and is based on studies by market research companies. It is measured at the nominal value of the stamps issued.

Of the tax provisions, €35 million (previous year: €28 million) relates to VAT, €5 million (previous year: €6 million) to customs and duties, and €76 million (previous year: €93 million) to other tax provisions.

45.2 Miscellaneous provisions

€m	2012	2013
Litigation costs	115	97
Risks from business activities	104	91
Aircraft maintenance	43	51
Miscellaneous other provisions	415	369
Miscellaneous provisions	**677**	**608**

Miscellaneous other provisions include a large number of individual items.

45.3 Maturity structure

The maturity structure of the provisions recognised in financial year 2013 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
2013							
Other employee benefits	311	281	170	94	57	143	**1,056**
Restructuring provisions	425	20	8	8	10	63	**534**
Technical reserves (insurance)	203	163	84	52	36	67	**605**
Postage stamps	400	0	0	0	0	0	**400**
Tax provisions	116	0	0	0	0	0	**116**
Miscellaneous provisions	290	120	54	33	28	83	**608**
	1,745	**584**	**316**	**187**	**131**	**356**	**3,319**

46 Financial liabilities

€m	Non-current		Current		Total	
	2012	2013	2012	2013	2012	2013
Bonds	4,109	4,164	0	924	**4,109**	**5,088**
Due to banks	2	1	135	198	**137**	**199**
Finance lease liabilities	123	194	26	19	**149**	**213**
Liabilities to Group companies	65	58	28	25	**93**	**83**
Financial liabilities at fair value through profit or loss	8	11	109	29	**117**	**40**
Other financial liabilities	106	184	105	133	**211**	**317**
Financial liabilities	**4,413**	**4,612**	**403**	**1,328**	**4,816**	**5,940**

46.1 Bonds

The following table contains further details on the company's most significant bonds. The bonds issued by Deutsche Post Finance B.V. are fully guaranteed by Deutsche Post AG.

Major bonds

				2012		2013	
	Nominal coupon %	Issue volume	Issuer	Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2003/2014	4.875	€926 million	Deutsche Post Finance B.V.	942	969	924	929
Bond 2012/2017	1.875	€750 million	Deutsche Post Finance B.V.	744	775	745	767
Bond 2012/2022	2.950	€500 million	Deutsche Post Finance B.V.	496	525	496	516
Bond 2012/2020	1.875	€300 million	Deutsche Post AG	296	302	295	296
Bond 2012/2024	2.875	€700 million	Deutsche Post AG	696	711	696	706
Bond 2013/2018	1.5	€500 million	Deutsche Post AG	0	0	491	499
Bond 2013/2023	2.75	€500 million	Deutsche Post AG	0	0	495	501
Convertible bond 2012/2019[1]	0.600	€1 billion	Deutsche Post AG	920	929	931	928

[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 €1,353 million at the balance sheet date (previous year: €1,049 million).

Deutsche Post DHL placed two conventional bonds amounting to €1 billion with national and international investors. The issue date was 9 October 2013. The capital raised is to be used to repay a ten-year bond maturing in January 2014. The first issue in the amount of €500 million has a maturity of five years and an annual coupon of 1.5%. The second €500 million issue has a maturity of ten years and an annual coupon of 2.75%.

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. On issue, the conversion price was set at €20.74. In addition, Deutsche Post AG was granted a call option allowing it to repay the bond early at face value plus accrued interest 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 (unwinding of discount) and recognised in profit or loss.

46.2 Amounts due to banks

€m	2012	2013
Amounts due to banks	137	199

The liabilities mainly comprise current overdraft facilities due to various banks.

46.3 Finance lease liabilities

Finance lease liabilities mainly relate to the following items:

	Leasing partner	Interest rate (%)	End of term	Asset	2012	2013
Deutsche Post Immobilien GmbH, Germany	Various leasing partners	4.75	2023/2028	Real estate	0	114
DHL Express (Austria) GmbH, Austria	Raiffeisen Impuls Immobilien GmbH	3.62	2019	Real estate	11	11
DHL Logistics GmbH, Germany	Fitia GmbH	5.175	2016	Real estate	9	8
Deutsche Post AG, Germany	T-Systems International GmbH	6.5	2015	IT equipment	7	3
Deutsche Post Immobilien GmbH, Germany	Lorac Investment Management Sarl	6.0	2016	Real estate	6	4
DHL Express (US) Inc., USA	Wachovia Financial Services; Wells Fargo	6.74	2019/2022	Sorting system software	34	0
SCM Supply Chain Management Inc., Canada	Bank of Nova Scotia	Variable	2012/2013	Warehouse, office equipment	12	0

The change in finance lease liabilities is attributable to the early termination of a lease, as well as to leases entered into between Deutsche Post Immobilien GmbH and various contract partners for newly leased delivery bases in Germany.

The leased assets are recognised in property, plant and equipment at carrying amounts of €330 million (previous year: €280 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 €255 million (previous year: €165 million).

Maturity structure

€m	Present value (finance lease liabilities)		Minimum lease payments (notional amount)	
	2012	2013	2012	2013
Less than 1 year	26	19	33	24
More than 1 year to 5 years	56	101	62	116
More than 5 years	67	93	70	115
Total	**149**	**213**	**165**	**255**

46.4 Financial liabilities at fair value through profit or loss

The amounts reported under this item relate to the negative fair values of derivative financial instruments.

€m	2012	2013
Financial liabilities at fair value through profit or loss	117	40

46.5 Other financial liabilities

€m	2012	2013
Put option related to the acquisition of the remaining interest in Giorgio-Gori Group	0	62
Loan notes related to the acquisition of TAG Group	57	55
Loan notes related to the early termination of a finance lease	0	18
Miscellaneous financial liabilities	154	182
Other financial liabilities	**211**	**317**

The other financial liabilities relate to a large number of individual items.

47 Other liabilities

€m	Non-current		Current		Total	
	2012	2013	2012	2013	2012	2013
Other liabilities	276	227	4,004	3,981	4,280	4,208

47.1 Breakdown of other liabilities

€m	2012	2013
Tax liabilities	884	967
Incentive bonuses	577	560
Wages, salaries, severance payments	287	335
Compensated absences	375	298
Deferred income, of which non-current: 61 (previous year: 71)	351	295
Payables to employees and members of executive bodies	177	172
Social security liabilities	143	162
Debtors with credit balances	150	148
Liabilities from the sale of residential building loans, of which non-current: 140 (previous year: 149)	153	144
Overtime claims	110	105
COD liabilities	70	51
Other compensated absences	49	40
Liabilities from cheques issued	35	37
Accrued rentals	34	32
Insurance liabilities	36	26
Accrued insurance premiums for damages and similar liabilities	12	16
Liabilities from loss compensation	15	12
Miscellaneous other liabilities, of which non-current: 26 (previous year: 56)	822	808
	4,280	4,208

Of the tax liabilities, €544 million (previous year: €502 million) relates to VAT, €269 million (previous year: €227 million) to customs and duties, and €154 million (previous year: €155 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.

47.2 Maturity structure

€m	2012	2013
Less than 1 year	4,004	3,981
More than 1 year to 2 years	46	41
More than 2 years to 3 years	28	7
More than 3 years to 4 years	10	7
More than 4 years to 5 years	7	28
More than 5 years	185	144
	4,280	4,208

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.

48 Trade payables

Trade payables also include liabilities to Group companies in the amount of €46 million (previous year: €42 million).

€m	2012	2013
Trade payables	5,991	6,392

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

49 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.

49.1 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.

In financial year 2013, the net cash from operating activities amounted to €2,994 million compared with a net cash outflow of €203 million in the previous year. This improvement is largely attributable to the funding of pension obligations in the previous year.

The depreciation, amortisation and impairment losses contained in EBIT are non-cash effects and are therefore adjusted. At €1,341 million, they remained at the previous year's level. Also adjusted were non-cash income and expenses, which reduced EBIT by €16 million, but did not affect cash flows. They mainly relate to expenses from the remeasurement of assets.

The gains on the disposal of non-current assets of €22 million are not attributable to operating activities. They have therefore been adjusted in the net income from the disposal of non-current assets and are presented instead in the cash flows from investing activities.

The higher working capital led to a net cash outflow of €84 million. In the previous year, the change in this item resulted in an outflow of €422 million. The change in liabilities and other items in particular made a significant contribution to this development.

Non-cash income and expense

€m	2012	2013
Expense from remeasurement of assets	94	122
Income from remeasurement of liabilities	−203	−114
Income from disposal of assets	−2	−11
Staff costs relating to Share Matching Scheme	19	20
Miscellaneous	−5	−1
Non-cash income and expense	**−97**	**16**

49.2 Net cash used in investing activities

Cash flows from investing activities mainly result from cash received from disposals of non-current assets (divestitures) and cash paid for investments in non-current assets.

Interest and dividends received from investing activities as well as cash flows from changes in current financial assets are also included.

At €1,772 million, net cash used in investing activities was €75 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 nonetheless €250 million lower than in the previous year, at €1,389 million. The investment volume was on a level with the previous year.

Although most of the capital expenditures had been capitalised towards the end of the year, the cash was only paid after the balance sheet date. The investment of surplus liquidity in money market funds was largely responsible for the net cash outflow from changes in current financial assets of €575 million. By contrast, the recognition of the demand for repayment of state aid in other non-current financial assets reduced cash flow from investing activities by €298 million in the previous year.

The following assets were acquired and liabilities assumed as a result of company acquisitions; see also Note 2:

€m	2012	2013
Non-current assets	5	2
Current assets (excluding cash and cash equivalents)	19	8
Non-current provisions and liabilities	2	0
Current provisions and liabilities	8	7

The following table shows the calculation of free cash flow:

Calculation of free cash flow

€m	2012	2013
Net cash used in/from operating activities	**−203**	**2,994**
Sale of property, plant and equipment and intangible assets	225	177
Acquisition of property, plant and equipment and intangible assets	−1,639	−1,389
Cash outflow arising from change in property, plant and equipment and intangible assets	**−1,414**	**−1,212**
Disposals of subsidiaries and other business units	39	32
Acquisition of subsidiaries and other business units	−57	−37
Cash outflow arising from acquisitions/divestitures	**−18**	**−5**
Interest received	46	42
Interest paid	−296	−166
Net interest paid	**−250**	**−124**
Free cash flow	**−1,885**	**1,653**

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 improved from €−1,885 million in the previous year to €1,653 million in the year under review. This is primarily attributable to the improvement in operating cash flow, which had been exceptionally and significantly reduced in the previous year by the funding of pension obligations and the additional VAT payment.

49.3 Net cash used in financing activities

Financing activities led to a cash outflow of €110 million in the year under review, compared with a cash inflow of €1,199 million in the previous year.

Two bonds with maturities of five and ten years contributed €495 million each to the €1,010 million in proceeds from the issuance of non-current financial liabilities. In the previous year, the issue of conventional corporate bonds and a convertible bond in particular had contributed to proceeds of €3,176 million. In addition, €733 million was used to repay non-current financial liabilites in the previous year.

At €846 million, the dividend payment to the shareholders of Deutsche Post AG remained at the prior-year level and was again the largest payment in financing activities. However, interest payments were down €130 million year-on-year, at €166 million, due to the interest payment related to the additional VAT payment in the previous year.

Proceeds from issuing shares or other equity instruments declined by €70 million to €4 million. The prior-year figure included the equity component of the convertible bond.

49.4 Cash and cash equivalents

The cash inflows and outflows described above produced cash and cash equivalents of €3,417 million; Note 36. This represents a year-on-year increase of €1,017 million.

OTHER DISCLOSURES

50 Risks and financial instruments of the Group

50.1 Risk management

As a result of its operating activities, the Group is exposed to financial risks that may arise from changes in exchange rates, commodity prices and interest rates. Deutsche Post DHL manages these risks centrally through the use of non-derivative and derivative financial instruments. Derivatives are used exclusively to mitigate non-derivative financial risks, and fluctuations in their fair value should not be assessed separately from the underlying transaction.

The Group's internal risk guidelines govern the universe of actions, responsibilities and necessary controls regarding the use of derivatives. Financial transactions are recorded, assessed and processed using proven risk management software, which also regularly documents the effectiveness of hedging relationships. Portfolios of derivatives are regularly reconciled with the banks concerned.

In connection with the entry into force of the European Market Infrastructure Regulation (EMIR), the Group reviewed and adjusted its risk management processes: master agreements with banks were amended and further internal controls on the use of derivatives were introduced.

To limit counterparty risk from financial transactions, the Group may only enter into this type of contract with prime-rated banks. The conditions for the counterparty limits individually assigned to the banks are reviewed on a daily basis. The Group's Board of Management is informed internally at regular intervals about existing financial risks and the hedging instruments deployed to mitigate them. Financial instruments are accounted for and measured in accordance with IAS 39.

Liquidity management

The ultimate objective of liquidity management is to secure the solvency of Deutsche Post DHL and all Group companies. Consequently, liquidity in the Group is centralised as much as possible in cash pools and managed in the Corporate Center.

The centrally available liquidity reserves (funding availability), consisting of central short-term financial investments and committed credit lines, are the key control parameter. The target is to have at least €2 billion available in a central credit line.

The Group had central liquidity reserves of €4.6 billion (previous year: €2.7 billion) as at 31 December 2013, consisting of central financial investments amounting to €2.6 billion plus a syndicated credit line of €2 billion.

The maturity structure of non-derivative financial liabilities within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure: remaining maturities

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
At 31 December 2013						
Non-current financial liabilities	82	156	233	849	662	3,379
Other non-current liabilities	0	11	3	3	2	130
Non-current liabilities	**82**	**167**	**236**	**852**	**664**	**3,509**
Current financial liabilities	1,299	0	0	0	0	0
Trade payables	6,392	0	0	0	0	0
Other current liabilities	346	0	0	0	0	0
Current liabilities	**8,037**	**0**	**0**	**0**	**0**	**0**
At 31 December 2012						
Non-current financial liabilities	106	1,031	61	61	811	2,758
Other non-current liabilities	0	4	4	4	3	137
Non-current liabilities	**106**	**1,035**	**65**	**65**	**814**	**2,895**
Current financial liabilities	297	0	0	0	0	0
Trade payables	5,991	0	0	0	0	0
Other current liabilities	462	0	0	0	0	0
Current liabilities	**6,750**	**0**	**0**	**0**	**0**	**0**

On 9 October 2013, Deutsche Post AG placed two fixed-coupon bonds worth a total of €1 billion on the capital market. The bonds have a principal amount of €500 million each and maturities of five and ten years, respectively. The issue proceeds are to be used to repay the Deutsche Post Finance B.V. bond amounting to €926 million falling due in January 2014. Until then, the funds have been invested in short-term money market investments. The bonds are reported in non-current financial liabilities.

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure: remaining maturities

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
At 31 December 2013						
Derivative receivables – gross settlement						
Cash outflows	–5,345	–389	0	0	0	0
Cash inflows	5,591	403	0	0	0	0
Net settlement						
Cash inflows	23	5	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–1,821	–411	–46	–33	–41	–37
Cash inflows	1,776	409	48	26	26	23
Net settlement						
Cash outflows	–4	–1	0	0	0	0
At 31 December 2012						
Derivative receivables – gross settlement						
Cash outflows	–5,210	–616	0	0	0	0
Cash inflows	5,422	663	0	0	0	0
Net settlement						
Cash inflows	13	2	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–4,922	–440	0	0	0	0
Cash inflows	4,803	430	0	0	0	0
Net settlement						
Cash outflows	–22	–3	0	0	0	0

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 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 have been recognised if the exchange rate on the measurement or settlement date differs from the rate on recognition. The resulting foreign exchange differences directly impact profit or loss. In order to mitigate this impact as far as possible, all significant balance sheet currency risks within the Group are centralised at Deutsche Post AG through the in-house bank function. The centralised risks are aggregated by Corporate Treasury to calculate a net position per currency and hedged externally based on value-at-risk limits. The currency-related value at risk (95%/one-month holding period) for the portfolio concerned totalled €4 million (previous year: €3 million) at the reporting date; the limit was a maximum of €5 million.

The notional amount of the currency forwards and currency swaps used to manage balance sheet currency risks amounted to €2,409 million at the reporting date (previous year: €4,370 million); the fair value was €34 million (previous year: €42 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 approximately 35% of the foreign currency risk of the currencies concerned was hedged for the next 24 months. The relevant hedging transactions are recognised using cash flow hedge accounting; Note 50.3, cash flow hedges.

In total, currency forwards and currency swaps with a notional amount of €4,280 million (previous year: €5,976 million) were outstanding at the balance sheet date. The corresponding fair value was €98 million (previous year: €51 million). At the end of the year there were no currency options, as in the previous year. The Group also held cross-currency swaps with a notional amount of €163 million (previous year: €163 million) and a fair value of €14 million (previous year €2 million) to hedge foreign currency financing.

Currency risks resulting from translating assets and liabilities of foreign operations into the Group's currency (translation risk) were not hedged as at 31 December 2013.

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2013 in accordance with IAS 39, €69 million (previous year: €3 million) is expected to be recognised in income in the course of 2014.

IFRS 7 requires the disclosure of quantitative risk data showing how profit or loss and equity are affected by changes in exchange rates at the reporting date. The impact of these changes in exchange rates on the portfolio of foreign currency financial instruments is assessed by means of a value-at-risk calculation (95% confidence/one-month holding period). It is assumed that the portfolio as at the reporting date is representative for the full year. Effects of hypothetical changes in exchange rates on translation risk do not fall within the scope of IFRS 7. The following assumptions are used as a basis for the sensitivity analysis:

Primary financial instruments in foreign currencies used by Group companies were hedged by Deutsche Post AG's in-house bank, with Deutsche Post AG setting and guaranteeing monthly exchange rates. Exchange rate-related changes therefore have no effect on the profit or loss and equity of the Group companies. Where, in individual cases, Group companies are not permitted to participate in in-house banking for legal reasons, their currency risks from primary financial instruments are fully hedged locally through the use of derivatives. They therefore have no impact on the Group's risk position.

Hypothetical changes in exchange rates have an effect on the fair values of Deutsche Post AG's external derivatives that is reported in profit or loss; they also affect the foreign currency gains and losses from remeasurement at the closing date of the in-house bank balances, balances from external bank accounts as well as internal and external loans extended by Deutsche Post AG. The foreign currency value at risk of the foreign currency items concerned was €4 million at the reporting date (previous year: €3 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 €30 million as at 31 December 2013 (previous year: €32 million). The total foreign currency value at risk was €29 million at the reporting date (previous year: €35 million). The total amount is lower than the sum of the individual amounts given above, owing to interdependencies.

INTEREST RATE RISK AND INTEREST RATE MANAGEMENT

The fair value of interest rate hedging instruments was calculated on the basis of discounted expected future cash flows using Corporate Treasury's risk management system.

As at 31 December 2013, the Group had entered into interest rate swaps with a notional volume of €1,126 million (previous year: €326 million). The fair value of this interest rate swap position was €6 million (previous year: €23 million). As in the previous year, there were no interest rate options at the reporting date.

The Group placed further fixed-coupon bonds on the capital market in financial year 2013. At the same time, the remaining maturity of the bond falling due in January 2014 dropped to less than one year and some of the original fixed-coupon bonds were swapped for variable short-term interest rates. As a result, the share of instruments with short-term interest lock-ins increased sharply year-on-year. Taking into account existing interest rate hedging instruments, the proportion of financial liabilities with short-term interest lock-ins, Note 46, amounts to around 36% (previous year: 8%) as at the reporting date. However, 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 2013 had been 100 basis points higher, net finance costs would have increased by €6 million (previous year: decreased by €2 million). A market interest rate level 100 basis points lower would have had the opposite effect. A change in the market interest rate level by 100 basis points would affect the fair values of the interest rate derivatives recognised in equity. As in the previous year, a rise in interest rates in this financial year would not have increased equity, nor would a reduction have reduced equity.

MARKET RISK

As in the previous year, most of the risks arising from commodity price fluctuations, in particular fluctuating prices for kerosene and marine diesel fuels, were passed on to customers via operating measures. However, the impact of the related fuel surcharges is delayed by one to two months, so that earnings may be affected temporarily if there are significant short-term fuel price variations.

In addition, a small number of commodity swaps for diesel and marine diesel fuel were used to control residual risks. The notional amount of these commodity swaps was €56 million (previous year: €8 million) with a fair value of €0 million (previous year: €0 million).

IFRS 7 requires the disclosure of a sensitivity analysis, presenting the effects of hypothetical commodity price changes on profit or loss and equity.

Changes in commodity prices would affect the fair value of the derivatives used to hedge highly probable forecast commodity purchases (cash flow hedges) and the hedging reserve in equity. A 10% increase in the commodity prices underlying the derivatives as at the balance sheet date would have increased fair values and equity by €5 million (previous year: €0 million). A corresponding decline in commodity prices would have had the opposite effect.

In the interests of simplicity, some of the commodity price hedges were not recognised using cash flow hedge accounting. For the derivatives in question, commodity price changes would affect both the fair values of the derivatives and the income statement. 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 less than €1 million. A corresponding decline in the commodity prices would have also reduced the fair values and operating profit by less than €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 2013.

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 €7,040 million (previous year: €6,959 million) are due within one year. The following table gives an overview of receivables that are past due:

€m			Past due and not impaired at the reporting date						
	Carrying amount before impairment loss	Neither impaired nor due at the reporting date	Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	>180 days
At 31 December 2013									
Trade receivables	7,250	5,154	749	641	270	93	42	36	17
At 31 December 2012									
Trade receivables	7,175	5,038	764	647	258	103	44	26	23

Trade receivables changed as follows:

€m	2012	2013
Gross receivables		
At 1 January	7,163	7,175
Changes	12	75
At 31 December	**7,175**	**7,250**
Valuation allowances		
At 1 January	−229	−216
Changes	13	6
At 31 December	**−216**	**−210**
Carrying amount at 31 December	**6,959**	**7,040**

All other financial instruments are neither past due nor impaired. The heterogeneous structure of the counterparties prevents risk concentration.

Impairment losses of €23 million (previous year: €45 million) were recognised for other assets.

50.2 Collateral

€545 million (previous year: €549 million) of collateral is recognised in non-current financial assets as at the balance sheet date. Of this amount, €318 million relates to the restricted cash transferred to a blocked account with Commerzbank AG for any payments that may be required due to the EU state aid proceedings; Note 3, 2012 Annual Report. €55 million is attributable to collateral in the context of an M&A transaction and €102 million relates primarily to liabilities in conjunction with the settlement of Deutsche Post AG's residential building loans. €64 million relates to sureties paid.

Collateral of €41 million is recognised in current financial assets (previous year: €49 million). The majority of this concerns collateral deposited for QTE leases.

50.3 Derivative financial instruments

The following table gives an overview of the recognised derivative financial instruments used in the Group and their fair values. Derivatives with amortising notional volumes are reported in the full amount at maturity.

Derivative financial instruments

€m	2012		2013				Fair values in 2013, by maturity											
							Assets						Liabilities					
	Notional amount	Fair value	Notional amount	Fair value of assets	Fair value of liabilities	Total fair value	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	>5 years	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	>5 years
Interest rate products																		
Interest rate swaps	326	23	1,126	12	−6	6	12	0	0	0	0	0	0	0	0	0	−4	−2
of which cash flow hedges	163	13	163	7	0	7	7	0	0	0	0	0	0	0	0	0	0	0
of which fair value hedges	163	10	963	5	−6	−1	5	0	0	0	0	0	0	0	0	0	−4	−2
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Currency transactions																		
Currency forwards	2,918	4	2,206	94	−26	68	78	16	0	0	0	0	−21	−5	0	0	0	0
of which cash flow hedges	1,442	9	1,825	89	−25	64	73	16	0	0	0	0	−20	−5	0	0	0	0
of which net investment hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	1,476	−5	381	5	−1	4	5	0	0	0	0	0	−1	0	0	0	0	0
Currency options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Currency swaps	3,058	47	2,074	36	−6	30	36	0	0	0	0	0	−6	0	0	0	0	0
of which cash flow hedges	164	0	46	1	−1	0	1	0	0	0	0	0	−1	0	0	0	0	0
of which held for trading	2,894	47	2,028	35	−5	30	35	0	0	0	0	0	−5	0	0	0	0	0
Cross-currency swaps	163	2	163	14	0	14	14	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	163	2	163	14	0	14	14	0	0	0	0	0	0	0	0	0	0	0
of which fair value hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	6,139	**53**	**4,443**	**144**	**−32**	**112**	**128**	**16**	**0**	**0**	**0**	**0**	**−27**	**−5**	**0**	**0**	**0**	**0**
Commodity price transactions																		
Commodity price swaps	8	0	56	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	3	0	52	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	5	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

In addition to those shown in the table, there are other derivatives with a fair value of €−2 million (previous year: €−49 million) that are the result of M & A transactions.

FAIR VALUE HEDGES

Interest rate swaps were used to hedge the fair value risk of fixed-interest euro-denominated liabilities falling due in 2014. The fair values of these interest rate swaps amount to €5 million (previous year: €10 million). As at 31 December 2013, there was also a €1 million (previous year: €7 million) adjustment to the carrying amount of the underlying hedged item arising from an interest rate swap unwound in the past. The adjustment to the carrying amount is amortised over the remaining term of the liability using the effective interest method, and reduces future interest expense.

New interest rate swaps were entered into and designated as fair value hedges in 2013 to hedge the fair value risk of fixed-interest euro-denominated liabilities falling due in 2018 and 2020. The fair value of these hedging instruments was €–6 million as at the reporting date. The following table gives an overview of the gains and losses arising from the hedged items and the respective hedging transactions:

Ineffective portion of fair value hedges

€m	2012	2013
Gains (+) on hedged items	1	11
Losses (–) on hedging transactions	–1	–11
Balance (ineffective portion)	**0**	**0**

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 €64 million at the reporting date (previous year: €9 million). The hedged items will have an impact on cash flow by 2015.

Risks arising from fixed-interest foreign currency investments were hedged using synthetic cross-currency swaps, with the investments being transformed into fixed-interest euro investments. These synthetic cross-currency swaps hedge the currency risk, and their fair values at the reporting date amounted to €21 million (previous year: €15 million).

The risks from the purchase of diesel and marine diesel fuels, which cannot be passed on to customers, were hedged using commodity swaps that will affect cash flow in 2014. As in the previous year, the fair value of these cash flow hedges amounted to €0 million at year-end.

50.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments in line with the respective balance sheet items. The following table reconciles the classes to the categories given in IAS 39 and the respective fair values:

Reconciliation of carrying amounts in the balance sheet at 31 December 2013

€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	1,124			
at cost	858	0	0	97
at fair value	266	0	90	160
Trade receivables	7,040			
at cost	7,040	0	0	0
Other current assets	2,221			
at cost	955	0	0	0
outside IFRS 7	1,266	0	0	0
Current financial assets	821			
at cost	70	0	0	0
at fair value	751	40	0	611
Cash and cash equivalents	3,417	0	0	0
Total ASSETS	**14,623**	**40**	**90**	**868**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	4,612			
at cost	4,601	0	0	0
at fair value	11	0	0	0
Other non-current liabilities	227			
at cost	147	0	0	0
outside IFRS 7	80	0	0	0
Current financial liabilities	1,328			
at cost	1,299	0	0	0
at fair value	29	8	0	0
Trade payables	6,392	0	0	0
Other current liabilities	3,981			
at cost	346	0	0	0
outside IFRS 7	3,635	0	0	0
Total EQUITY AND LIABILITIES	**16,540**	**8**	**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 €1,353 million at the balance sheet date. A fair value of €928 million was reported for the debt component at the balance sheet date.

Loans and receivables/ other financial liabilities	Held-to-maturity assets	Derivatives designated as hedging instruments	Other financial instruments outside the scope of IAS 39: Lease receivables/ finance lease liabilities	Fair value of financial instruments under IFRS 7
729	0	0	32	846
0	0	16	0	266
7,040	0	0	0	7,040
955	0	0	0	955
0	0	0	0	0
63	0	0	7	70
0	0	100	0	751
3,417	0	0	0	3,417
12,204	**0**	**116**	**39**	**–**
4,407	0	0	194	4,657
0	0	11	0	11
147	0	0	0	147
0	0	0	0	0
1,280	0	0	19	1,302
0	0	21	0	29
6,392	0	0	0	6,392
346	0	0	0	346
0	0	0	0	0
12,572	**0**	**32**	**213**	**–**

Reconciliation of carrying amounts in the balance sheet at 31 December 2012

€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	1,039			
at cost	866	0	0	104
at fair value	173	0	79	58
Trade receivables	6,959			
at cost	6,959	0	0	0
Other current assets	2,153			
at cost	893	0	0	0
outside IFRS 7	1,260	0	0	0
Current financial assets	252			
at cost	119	0	0	0
at fair value	133	85	0	24
Cash and cash equivalents	2,400	0	0	0
Total ASSETS	**12,803**	**85**	**79**	**186**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	4,413			
at cost	4,405	0	0	0
at fair value	8	3	0	0
Other non-current liabilities	276			
at cost	149	0	0	0
outside IFRS 7	127	0	0	0
Current financial liabilities	403			
at cost	294	0	0	0
at fair value	109	88	0	0
Trade payables	5,991	0	0	0
Other current liabilities	4,004			
at cost	398	0	0	0
outside IFRS 7	3,606	0	0	0
Total EQUITY AND LIABILITIES	**15,087**	**91**	**0**	**0**

[1] The Deutsche Post AG and Deutsche Post Finance B.V. bonds included in non-current financial liabilities were fully or partly designated as hedged items in a fair value hedge and are thus subject to a basis adjustment. They are therefore recognised neither at full fair value nor at amortised cost. Non-current financial liabilities also include the convertible bond issued by Deutsche Post AG in December 2012. The listed bond had a fair value of €1,049 million at the balance sheet date. A fair value of €929 million was reported for the debt component at the balance sheet date.

No assets were reclassified in financial years 2013 and 2012.

			Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
Loans and receivables/ other financial liabilities	Held-to-maturity assets	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
737	0	0	25	866
0	0	36	0	173
6,959	0	0	0	6,959
893	0	0	0	893
0	0	0	0	0
77	0	0	42	119
0	0	24	0	133
2,400	0	0	0	2,400
11,066	**0**	**60**	**67**	**–**
4,282	0	0	123	4,571
0	0	5	0	8
149	0	0	0	149
0	0	0	0	0
268	0	0	26	294
0	0	21	0	109
5,991	0	0	0	5,991
398	0	0	0	398
0	0	0	0	0
11,088	**0**	**26**	**149**	**–**

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.

Available-for-sale financial assets include shares in partnerships and corporations in the amount of €97 million (previous year: €104 million). There is no active market for these instruments. As no future cash flows can be reliably determined, the fair values cannot be determined using valuation techniques. The shares of these entities are recognised at cost. There are no plans to sell or derecognise significant shares of the available-for-sale financial assets recognised as at 31 December 2013 in the near future. As in the previous year, no significant shares measured at cost were sold in the financial year. Available-for-sale financial assets measured at fair value relate to equity and debt instruments.

Financial assets at fair value through profit or loss include securities to which the fair value option was applied, in order to avoid accounting inconsistencies. There is an active market for these assets, which are recognised at fair value.

The following table presents the classes of financial instruments recognised at fair value and not recognised at fair value by the level in the fair value hierarchy to which they are assigned:

Financial assets and liabilities

€m

Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
Financial assets and liabilities: 2013				
Non-current financial assets	157	765	190	1,112
Current financial assets	611	210	0	821
Total financial assets	**768**	**975**	**190**	**1,933**
Non-current financial liabilities	4,221	447	0	4,668
Current financial liabilities	927	402	2	1,331
Total financial liabilities	**5,148**	**849**	**2**	**5,999**
Financial assets and liabilities: 2012				
Non-current financial assets	137	770	132	1,039
Current financial assets	24	228	0	252
Total financial assets	**161**	**998**	**132**	**1,291**
Non-current financial liabilities	4,210	366	3	4,579
Current financial liabilities	0	357	46	403
Total financial liabilities	**4,210**	**723**	**49**	**4,982**

[1] Level 1: quoted market prices.
[2] Level 2: measurement using key inputs based on observable market data.
[3] Level 3: measurement using key inputs not based on observable market data.

The fair values of currency forwards were measured on the basis of discounted expected future cash flows, taking forward rates on the foreign exchange market into account. The currency options were measured using the Black-Scholes option pricing model.

Level 2 includes commodity, interest rate and currency derivatives. The fair values of the derivatives (currency forwards, interest rate and commodity swaps) 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 derivatives are observable on the market. Level 3 mainly comprises the fair values of equity investments and options entered into in connection with M&A transactions. These equity investments and options are measured using recognised valuation models, taking plausible assumptions into account; measurement depends largely on financial ratios.

No financial instruments were transferred between levels in financial year 2012. The 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	At 1 Jan. 2013	Gains and losses (recognised in profit or loss)	Gains and losses (recognised in OCI)	Additions	Disposals	At 31 Dec. 2013
Assets						
Equity instruments	28	0	41[1]	24	0	**93**
Liabilities						
Debt instruments	1	–1[2]	0	0	0	**0**
Derivatives						
Equity derivatives	48	–43[2]	0	0	–3	**2**

[1] Unrealised gains were recognised in the IAS 39 revaluation reserve.
[2] Fair value losses were recognised in other finance costs.

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	2012	2013
Loans and receivables	–111	–107
Financial assets and liabilities at fair value through profit or loss		
Trading	–337	41
Fair value option	0	0
Other financial liabilities	2	3

The net gains and losses mainly include the effects of the fair value measurement, impairment and disposals (disposal gains/losses) of financial instruments. In financial year 2013, an option entered into in the context of an M&A transaction was derecognised, resulting in an impact on profit or loss. The amount reported for the trading category in the previous year related to the measurement of the forward and the options entered into to transfer the remaining shares in Deutsche Postbank AG. Dividends and interest are not taken into account for the financial instruments measured at fair value through profit or loss. Disclosures on net gains or losses on available-for-sale financial assets can be found in Note 40.2. 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.

The following tables show the impact of netting agreements based on master netting arrangements or similar agreements on the presentation of financial assets and financial liabilities as at the reporting date:

Offsetting – Assets

€m				Financial assets and liabilities not set off in the balance sheet		
	Gross amount of financial assets recognised at the reporting date	Gross amount of financial liabilities set off	Net amount of financial assets set off in the balance sheet	Financial liabilities subject to a legally enforceable netting agreement that do not meet offsetting criteria	Collateral received	Total
Assets at 31 December 2013						
Derivative financial assets	156	0	156	38	0	**118**
Trade receivables	7,207	167	7,040	0	0	**7,040**
Assets at 31 December 2012						
Derivative financial assets[1]	144	0	144	68	0	**76**
Trade receivables	7,084	125	6,959	0	0	**6,959**

[1] Excluding derivatives from M&A transactions.

Offsetting – Liabilities

€m				Financial assets and liabilities not set off in the balance sheet		
	Gross amount of financial liabilities recognised at the reporting date	Gross amount of financial assets set off	Net amount of financial liabilities set off in the balance sheet	Financial assets subject to a legally enforceable netting agreement that do not meet offsetting criteria	Collateral provided	Total
Liabilities at 31 December 2013						
Derivative financial liabilities[1]	38	0	38	38	0	**0**
Trade payables	6,559	167	6,392	0	0	**6,392**
Liabilities at 31 December 2012						
Derivative financial liabilities[1]	68	0	68	68	0	**0**
Trade payables	6,116	125	5,991	0	0	**5,991**

[1] Excluding derivatives from M&A transactions.

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 two parties to the agreement during a calendar year are offset in an annual statement of account and presented on a net basis in the final annual statement. The final statement is prepared by the creditor. 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 above show the receivables and payables before and after offsetting.

51 Contingent liabilities

The Group's contingent liabilities total €1,077 million (previous year: €1,135 million). €21 million of the contingent liabilities relates to guarantee obligations (previous year: €22 million), €84 million to warranties (previous year: €103 million) and €124 million to liabilities from litigation risks (previous year: €130 million).

The other contingent liabilities declined by €32 million, from €880 million in the previous year to €848 million.

52 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €6,129 million (previous year: €6,325 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	2012	2013
Land and buildings	5,100	4,966
Aircraft	647	524
Transport equipment	450	512
Technical equipment and machinery	65	67
Other equipment, operating and office equipment	48	47
IT equipment	15	13
Lease obligations	**6,325**	**6,129**

The decrease in lease obligations by €196 million to €6,129 million is a consequence of the reduction in the remaining terms of legacy agreements, especially for real estate and aircraft which, in the main, are not matched by the same volume of new leases.

Maturity structure of minimum lease payments

€m	2012	2013
Less than 1 year	1,504	1,465
More than 1 year to 2 years	1,107	1,109
More than 2 years to 3 years	837	853
More than 3 years to 4 years	642	651
More than 4 years to 5 years	500	475
More than 5 years	1,735	1,576
	6,325	**6,129**

The present value of discounted minimum lease payments is €5,019 million (previous year: €5,156 million), based on a discount factor of 4.75% (previous year: 4.75%). Overall, rental and lease payments amounted to €2,508 million (previous year: €2,529 million), of which €1,696 million (previous year: €1,730 million) relates to non-cancellable leases. €2,092 million (previous year: €2,255 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 €134 million (previous year: €125 million).

53 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 these 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 and a competitor against the price approvals under the price cap procedure for 2003, 2004 and 2005, and by the association against the corresponding decisions for 2008 and 2013. Although the appeals against price approvals for the years 2003 to 2005 were dismissed by the Münster Higher Administrative Court, as the court of appeal, an appeal has been filed with the Federal Administrative Court. The Cologne Administrative Court has not yet decided on the appeals against the price approvals for 2008 and 2013.

Legal risks also result from appeals by Deutsche Post AG against other price approvals granted by the regulatory authority. These largely relate to appeals against the price approvals for access to Deutsche Post AG's post office box facilities and change of address information by competitors.

There are legal risks in connection with the discounts for downstream access, which Deutsche Post AG increased on 1 July 2010. Deutsche Post competitors and their associations filed complaints against these discount increases with the *Bundesnetzagentur*. They claim that the increased discounts conflict, in particular, with regulatory requirements. However, the *Bundesnetzagentur* discontinued its review proceedings by way of a notification of 15 September 2010 after having found no violation of the applicable regulations. In October 2011, several competitors of Deutsche Post AG brought an action against the *Bundesnetzagentur* with the aim of reversing the discount increases. Deutsche Post AG considers its charges for downstream access and the discount increases to be in compliance with the regulatory and other legal requirements. Following the hearing at the Cologne Administrative Court on 25 November 2013, the claimants withdrew their appeal. The *Bundesnetzagentur*'s decision of 15 November 2010 therefore stands.

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. The Commission determined that Deutsche Post AG was not overcompensated, using state resources, for the cost of providing universal services between 1989 and 2007. It also did not find fault with the guarantees issued by the German state for legacy liabilities. By contrast, it did find that some of the funding arrangements for civil servants' pensions represented illegal state aid. It said that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the price approval process led to Deutsche Post AG receiving a benefit in relation to its services that are not rate-regulated. According to the Commission, this must be claimed back by the German government, which must also ensure that the granting of state aid does not in future confer benefits with respect to non-rate-regulated services (illegal state aid). The European Commission has left the calculation of the precise amount to be repaid to the Federal Republic. However, in a press release, the European Commission had referred to an amount of between €500 million and €1 billion.

Deutsche Post AG and the federal government are of the opinion that the European Commission's state aid decision of 25 January 2012 cannot withstand legal review and have each submitted an appeal to the European Court of Justice in Luxembourg.

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 this amount to a trustee on 1 June 2012 and appealed the recovery order to the Administrative Court. However, this appeal has been suspended pending a ruling from the European Court of Justice. The company made additional payments of €19.4 million and €15.6 million to the trustee on 2 January 2013 and 2 January 2014, respectively. All payments made until the reporting date 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 against the Federal Republic of Germany with the European Court of Justice to effect a higher repayment amount. Although Deutsche Post AG and the federal government are of the opinion that the European Commission's state aid decision 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.

54 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).

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 (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 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 liability 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

		2009 tranche	2010 tranche	2011 tranche	2012 tranche	2013 tranche
Grant dates		1 Nov. 2009/ 1 April 2010	1 Jan. 2010/ 1 April 2011	1 Jan. 2011/ 1 April 2012	1 Jan. 2012/ 1 April 2013	1 Jan. 2013/ 1 April 2014
Term	months	53	63	63	63	63
End of term		March 2014	March 2015	March 2016	March 2017	March 2018
Share price at grant date (fair value)						
Incentive shares and matching shares awarded for incentive shares	€	11.48	13.98	12.90	12.13	17.02
Matching shares awarded for investment shares	€	13.03	12.91	14.83	18.22	25.00[1]
Number of incentive shares	thousands	430	638	660	479	348[2]
Number of matching shares expected						
Incentive shares	thousands	336	574	594	431	313
Investment shares	thousands	259	932	940	709	556

[1] Estimated provisional amount, will be determined on 1 April 2014.
[2] Expected number.

In the consolidated financial statements as at 31 December 2013, €35 million (previous year: €34 million) was recognised in equity for the granting of variable remuneration components; Note 39.

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.

SAR Plan for executives

Since July 2006, selected executives have received annual tranches of SARS under the LTIP. This allows them to receive a cash payment within a defined period in the amount of the difference between the respective price of Deutsche Post shares and the fixed issue price if demanding performance targets are met (see disclosures on the 2006 LTIP for members of the Board of Management). All SARS granted under the 2006 and 2007 tranches expired at the end of the respective waiting periods, since the related performance targets were not met. After the expiry of the waiting period for the 2008 tranche on 30 June 2011, two-sixths of the SARS granted became exercisable. They were eligible to be exercised shortly before the end of the exercise period, as the share price performed well and exceeded the issue price of €18.40. The exercise period for these SARS terminated on 30 June 2013. The waiting period for the 2009 tranche also ended on 30 June 2013. Due to the strong share price performance since the SARS were issued in 2009, most of these SARS were exercised in 2013.

More details on the 2006 LTIP/SAR Plan tranches are shown in the following table:

LTIP 2006/SAR Plan

SARS	2009 tranche	2010 tranche	2011 tranche	2012 tranche	2013 tranche
Issue date	1 July 2009	1 July 2010	1 July 2011	1 July 2012	1 August 2013
Issue price (€)	9.52	12.27	12.67	13.26	20.49
Waiting period expires	30 June 2013	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 €202 million was recognised for financial year 2013 (previous year: €143 million).

See Note 55.2 for further disclosures on share-based payment for members of the Board of Management. A provision for the 2006 LTIP and the SAR Plan was recognised as at the balance sheet date in the amount of €278 million (previous year: €203 million), of which €64 million (previous year: €25 million) was attributable to the Board of Management. €4 million of the total provision (previous year: €0 million) related to rights exercisable at the reporting date.

55 Related party disclosures

55.1 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 and other companies controlled by the Federal Republic of Germany.

The federal government is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG has direct business relationships with the individual public authorities and other government agencies as independent individual customers. The services provided for these customers are insignificant in respect of Deutsche Post AG's overall revenue.

RELATIONSHIPS WITH KFW BANKENGRUPPE

KfW supports the federal government in continuing to privatise companies such as Deutsche Post AG or Deutsche Telekom AG. In 1997, KfW, together with the federal government, developed a "placeholder model" as a tool to privatise government-owned companies. Under this model, the federal government sells all or part of its investments to KfW with the aim of fully privatising these state-owned companies. On this basis, KfW has purchased shares of Deutsche Post AG from the federal government in several stages since 1997 and executed various capital market transactions using these shares. KfW's current interest in Deutsche Post AG's share capital is 21%. Deutsche Post AG is thus considered to be an associate of the federal government.

RELATIONSHIPS WITH THE BUNDESANSTALT FÜR POST UND TELEKOMMUNIKATION

The Bundesanstalt für Post und Telekommunikation (BAnstPT) is a government agency and falls under the technical and legal supervision of the German Federal Ministry of Finance. Under the *Bundesanstalt-Reorganisationsgesetz* (German Federal Agency Reorganisation Act), which entered into force on 1 December 2005, the Federal Republic of Germany directly undertakes the tasks relating to holdings in Deutsche Bundespost successor companies through the Federal Ministry of Finance. It is therefore no longer necessary for the BAnstPT to perform the "tasks associated with ownership". The BAnstPT manages the social facilities such as the Postal Civil Service Health Insurance Fund, the recreation programme, the Versorgungsanstalt der Deutschen Bundespost (VAP) and the welfare service for Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG, as well as setting the objectives for social housing. Since 1 January 2013, the BAnstPT has undertaken the tasks of the special pension fund for postal civil servants (*Postbeamtenversorgungskasse*). The fund makes pension and assistance payments to the beneficiaries and their surviving dependents allocated to the Deutsche Bundespost successor companies. Further disclosures on the special pension fund for postal civil servants can be found in Note 7. The tasks are performed on the basis of agency agreements. In 2013, Deutsche Post AG was invoiced for €65 million (previous year: €70 million) in instalment payments relating to services provided by the BAnstPT.

RELATIONSHIPS WITH THE GERMAN FEDERAL MINISTRY OF FINANCE

In financial year 2001, the German Federal Ministry of Finance and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German Acts on the Reduction of Misdirected Housing Subsidies) relating to housing benefits granted by Deutsche Post AG. Deutsche Post AG transfers the amounts to the federal government on a monthly basis.

Deutsche Post AG also entered into an agreement with the Federal Ministry of Finance dated 30 January 2004 relating to the transfer of civil servants to German federal authorities. Under this agreement, civil servants are seconded with the aim of transferring them initially for six months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the federal government by paying a flat fee. In 2013, this initiative resulted in 26 permanent transfers (previous year: 11) and 33 secondments with the aim of a permanent transfer in 2014 (previous year: 16).

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 2013, as in the previous year, this initiative resulted in no transfers.

RELATIONSHIPS WITH DEUTSCHE TELEKOM AG AND ITS SUBSIDIARIES

The federal government holds around 32% of the shares of Deutsche Telekom AG directly and indirectly (via KfW). A control relationship exists between Deutsche Telekom AG and the federal government because the federal government, despite its non-controlling interest, has a secure majority at the Annual General Meeting due to its average presence there. Deutsche Telekom AG is therefore a related party of Deutsche Post AG. In financial year 2013, Deutsche Post DHL provided goods and services (mainly transport services for letters and parcels) for Deutsche Telekom AG and purchased goods and services (such as IT products) from Deutsche Telekom AG.

RELATIONSHIPS WITH DEUTSCHE BAHN AG AND ITS SUBSIDIARIES

Deutsche Bahn AG is wholly owned by the federal government. Owing to this control relationship, Deutsche Bahn AG is a related party to Deutsche Post AG. Deutsche Post DHL has various business relationships with the Deutsche Bahn Group. These mainly consist of transport service agreements.

BUNDES-PENSIONS-SERVICE FÜR POST UND TELEKOMMUNIKATION E.V.

Disclosures on the Bundes-Pensions-Service für Post- und Telekommunikation e.V. (BPS-PT) can be found in Note 7.

RELATIONSHIP WITH PENSION FUNDS

The real estate with a fair value of €1,016 million (previous year: €995 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 €66 million in 2013 (previous year: €65 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 44.

RELATIONSHIPS WITH UNCONSOLIDATED COMPANIES, ASSOCIATES AND JOINT VENTURES

In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with unconsolidated companies, associates and joint ventures deemed to be related parties of the Group in the course of its ordinary business activities. As part of these activities, all transactions for the provision of goods and services entered into with unconsolidated companies were conducted on an arm's length basis at standard market terms and conditions.

Transactions were conducted in financial year 2013 with major related parties, resulting in the following items in the consolidated financial statements:

€m	2012	2013
Receivables	7	5
from associates	1	1
from joint ventures	3	3
from unconsolidated companies	3	1
Loans	11	15
to associates	0	0
to joint ventures	0	0
to unconsolidated companies	11	15
Receivables from in-house banking	2	2
from associates	0	0
from joint ventures	2	2
from unconsolidated companies	0	0
Financial liabilities	93	83
to associates	2	0
to joint ventures	7	5
to unconsolidated companies	84	78
Liabilities	42	46
to associates	0	0
to joint ventures	35	43
to unconsolidated companies	7	3
Revenue	80	36
from associates[1]	46	0
from joint ventures	33	35
from unconsolidated companies	1	1
Expenses[2]	264	189
due to associates[1]	66	0
due to joint ventures	176	167
due to unconsolidated companies	22	22

[1] Revenue and expenses include Deutsche Postbank AG-related amounts up to and including February 2012.
[2] Relate to materials expense and staff costs.

Deutsche Post AG issued letters of commitment in the amount of €81 million (previous year: €101 million) for these companies. Of this amount, €76 million (previous year: €94 million) was attributable to associates, €1 million (previous year: €3 million) to joint ventures and €4 million (previous year: €4 million) to unconsolidated companies.

55.2 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 2013.

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	2012	2013
Short-term employee benefits (excluding share-based payment)	15	14
Post-employment benefits	3	3
Termination benefits	0	0
Share-based payment	19	47
Total	37	64

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 €23 million as at the reporting date (previous year: €20 million).

The share-based payment amount relates to the relevant expense recognised for financial years 2012 and 2013. It is itemised in the following table:

Share-based payment

Thousands of €	2012	2013
	SARS	SARS
Dr Frank Appel, Chairman	4,188	12,894
Ken Allen	2,558	7,322
Roger Crook	626	3,460
Bruce Edwards	2,648	7,610
Jürgen Gerdes	2,597	7,428
Lawrence Rosen	2,590	7,311
Walter Scheurle[1]	4,050	–
Angela Titzrath[2]	136	1,183
Share-based payment	19,393	47,208

[1] Until 30 April 2012.
[2] Since 1 May 2012.

55.3 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 2013 including the components with a long-term incentive effect totalled €20.5 million (previous year: €20.3 million). Of this amount, €7.8 million (previous year: €7.6 million) is attributable to non-performance-related components (annual base salary and fringe benefits), €5.4 million (previous year: €5.7 million) to performance-related components (variable components) and €7.3 million (previous year: €7.0 million) to components with a long-term incentive effect (SARs). The number of SARs was 1,984,818 (previous year: 2,108,466).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

The remuneration of former members of the Board of Management or their surviving dependants amounted to €4.4 million in the year under review (previous year: €4.6 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs amounted to €72 million (previous year: €78 million).

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in financial year 2013 amounted to around €1.4 million (previous year: €1.9 million); €1.2 million of this amount was attributable to a fixed component (previous year: €1.2 million) and €0.2 million to attendance allowances (previous year: €0.2 million). The conditions for the performance-based remuneration for 2011 were not met as at 31 December 2013 (previous year: payment of €0.4 million to active members of the Supervisory Board as performance-based remuneration for financial year 2010 and of €42 thousand to former members of the Supervisory Board).

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found in the Corporate Governance Report. The remuneration report contained in the Corporate Governance Report also forms part of the Group Management Report.

SHAREHOLDINGS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As at 31 December 2013, 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.

56 Auditor's fees

The following fees for services rendered by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, were recognised as an expense in financial year 2013 and in the previous year:

€m	2012	2013
Audits of the financial statements	5	5
Other assurance or valuation services	3	3
Tax advisory services	0	0
Other services	2	2
Auditor's fees	**10**	**10**

57 Exemptions under the HGB and local foreign legislation

For financial year 2013, Deutsche Post AG has exercised the simplification options under section 264(3) of the HGB or section 264b of the HGB for the following companies:

- Adcloud GmbH
- Agheera GmbH
- Albert Scheid GmbH
- CSG GmbH
- CSG.TS GmbH
- Danzas Deutschland Holding GmbH
- Danzas Grundstücksverwaltung Groß-Gerau GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Assekuranz Vermittlungs GmbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Com GmbH
- Deutsche Post Consult GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post DHL Beteiligungen GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH
- Deutsche Post DHL Inhouse Consulting GmbH
- Deutsche Post DHL Research and Innovation GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post E-Post Development GmbH
- Deutsche Post E-POST Solutions GmbH
- Deutsche Post Fleet 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 Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Signtrust und DMDA GmbH
- DHL Airways GmbH
- DHL Automotive GmbH

- DHL Automotive Offenau GmbH
- DHL Express Germany GmbH
- DHL Express Network Management GmbH
- DHL Fashion Retails 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 Logistics GmbH
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Solutions Großgut GmbH
- DHL Solutions Retail GmbH
- DHL Supply Chain (Leipzig) GmbH
- DHL Supply Chain Management GmbH
- DHL Supply Chain VAS GmbH
- DHL Trade Fairs & Events GmbH
- DHL Vertriebs GmbH
- 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 AG predictive behavioral targeting
- Werbeagentur Janssen GmbH
- Williams Lea & TAG GmbH (formerly Williams Lea GmbH)
- Zweite Logistik Entwicklungsgesellschaft MG GmbH

The following companies make use of the audit exemption under section 479A of the UK Companies Act:

- Applied Distribution Group Ltd.
- DHL Exel Supply Chain Ltd.
- Exel Investments Ltd.
- Exel Overseas Ltd.
- Fashion Logistics Ltd.
- Freight Indemnity & Guarantee Company Ltd.
- Joint Retail Logistics Ltd. (formerly Tibbett & Britten Group Ltd.)
- Ocean Group Investments Ltd.
- Ocean Overseas Holdings Ltd.
- Power Europe Development Ltd.
- Power Europe Development No 3 Ltd.
- Power Europe Operating Ltd.
- RDC Properties Ltd.
- T & B Applied Ltd.
- Trucks and Child Safety Ltd.

58 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 2013 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.

59 Significant events after the balance sheet date

At the end of January, Deutsche Post DHL announced that it had entered into a new contract with US airline Southern Air, thereby expanding and extending the partnership with the airline. Lease obligations amounting to US$ 640 million will arise in this context.

The domestic parcel business in Poland, the Czech Republic, Belgium and the Netherlands was consolidated in the MAIL division, effective 1 January 2014. This business was previously part of the EXPRESS and GLOBAL FORWARDING, FREIGHT divisions.

On 20 February 2014, the Board of Management, subject to the consent of the Supervisory Board, resolved upon an ordinary increase in capital (Authorised Capital 2013) by 656,915 no par-value shares in order to service the 2009 tranche of the share-based payment system for executives (Share Matching Scheme) due on 1 April 2014. The planned dividend payment will increase by around €0.5 million as a result.

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, 20 February 2014

Deutsche Post AG
The Board of Management

Dr Frank Appel

Ken Allen

Roger Crook

Bruce Edwards

Jürgen Gerdes

Lawrence Rosen

Angela Titzrath

INDEPENDENT AUDITOR'S REPORT

To Deutsche Post AG

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, and its subsidiaries, which comprise the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity, and the notes to the consolidated financial statements, for the business year from 1 January to 31 December 2013.

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 2013 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 2013. 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, 20 February 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann	Dietmar Prümm
Wirtschaftsprüfer	*Wirtschaftsprüfer*
(German Public Auditor)	(German Public Auditor)

FURTHER INFORMATION

215 —— 224

d

d FURTHER INFORMATION

INDEX

GLOSSARY

Deutsche Post

Cross-border mail (outbound)
All outbound international mail.

Dialogue marketing
Market-orientated activities that apply direct communications to selectively reach target groups using a personal, individualised approach.

E-Postbrief
A secure and reliable means of online communication that can be delivered both electronically and by traditional mail.

Federal Network Agency (*Bundesnetzagentur*)
German national regulator for electricity, gas, telecommunications, post and railway.

Maxibrief
Letter measuring a maximum of 353 × 250 × 50 mm and weighing up to 1,000 g.

Packstation
Parcel machine where parcels and small packages can be deposited and collected around the clock.

Paketbox
Parcel box for franked parcels and small packages (maximum dimensions: 50 × 40 × 30 cm).

Postal Act (*Postgesetz*)
The purpose of the German Postal Act, which took effect on 1 January 1998, is to promote postal competition through regulation and ensure the nationwide provision of appropriate and sufficient postal services. It includes regulations on licensing, price control and the universal service.

Preferred periodical
A press product of which more than 30 % consists of journalistic reporting.

Price-cap procedure
Procedure whereby the German Federal Network Agency approves prices for certain mail products. The agency approves prices on the basis of parameters it stipulates in advance, which set the average changes in these prices within baskets of services defined by the agency.

Standard letter
Letter measuring a maximum of 235 × 125 × 5 mm and weighing up to 20 g.

Standard periodical
A press product of which no more than 30 % consists of journalistic reporting.

Targeting
Target-specific advertising on websites aimed at achieving the highest possible advertising effectiveness.

DHL

Aftermarket logistics
Logistics services for manufacturer exchanges, returns and repairs.

B2C
The exchange of goods, services and information between companies and consumers.

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.

Business process outsourcing
Outsourcing specific business functions to a third-party service provider.

Collect and return
Goods are picked up from end users at different addresses, transported to the predetermined repair company, collected after repair and returned to the end user.

Contract logistics
Complex logistics and logistics-related services along the value chain that are performed by a contract logistics service provider. Services are tailored to a particular industry or customer and are generally based on long-term contracts.

Day Definite
Delivery of shipments on a specified day.

DHL Customer Solutions & Innovation (DSI)
A unit in which we merged our key account management, Global Customer Solutions (GCS), our innovation unit, DHL Solutions & Innovation (DSI), and our strategic sector management in order to deliver on our customer promise and to bundle all cross-divisional DHL activities.

E-fulfilment
Fulfilment services for the e-commerce market.

Full truckload
Complete capacity of truck is utilised, from sender to receiver.

Gateway
Collection point for goods intended for export and for further distribution of goods upon import; customs clearance point.

Hub
Collection centre for the trans-shipment and consolidation of flows of goods.

Inbound logistics
Supply of manufacturing and assembly locations.

Inbound-to-manufacturing
The procurement of goods and their transport from the place of origin/manufacture to the production line.

Intermodal transport
Transport chain combining different modes of transport, often road and rail.

Lead logistics provider
A logistics service provider who assumes the organisation of all or key logistics processes for the customer.

Less than container load (LCL)
Loads that will not fill a container and are consolidated for ocean transport.

Less than truckload
Shipment weighing approximately three tonnes that is smaller than a full truckload and consolidated with other senders' and/or receivers' shipments into one load for transport.

Maintenance, Repair & Operations
The product relates to the supply of goods which do not become part of the end product but are consumed during maintenance, repair and general operations processes.

Medical Express
The transport of time-critical or temperature-critical medical shipments such as blood and tissue samples to medical facilities, hospitals, laboratories or research institutes, usually related to clinical trials of new medications.

Multimodal transport
Combines a minimum of two different means of transport for a shipment, such as air, sea, rail and ground.

Part truckload
Shipment that does not constitute a full truckload but is transported from point of departure to destination without trans-shipment.

Same Day
Delivery within 24 hours of order placement.

Supply chain
A series of connected resources and processes from sourcing materials to delivering goods to consumers.

Time Definite
Delivery of time-critical shipments for which the day or time of delivery has been specified or guaranteed.

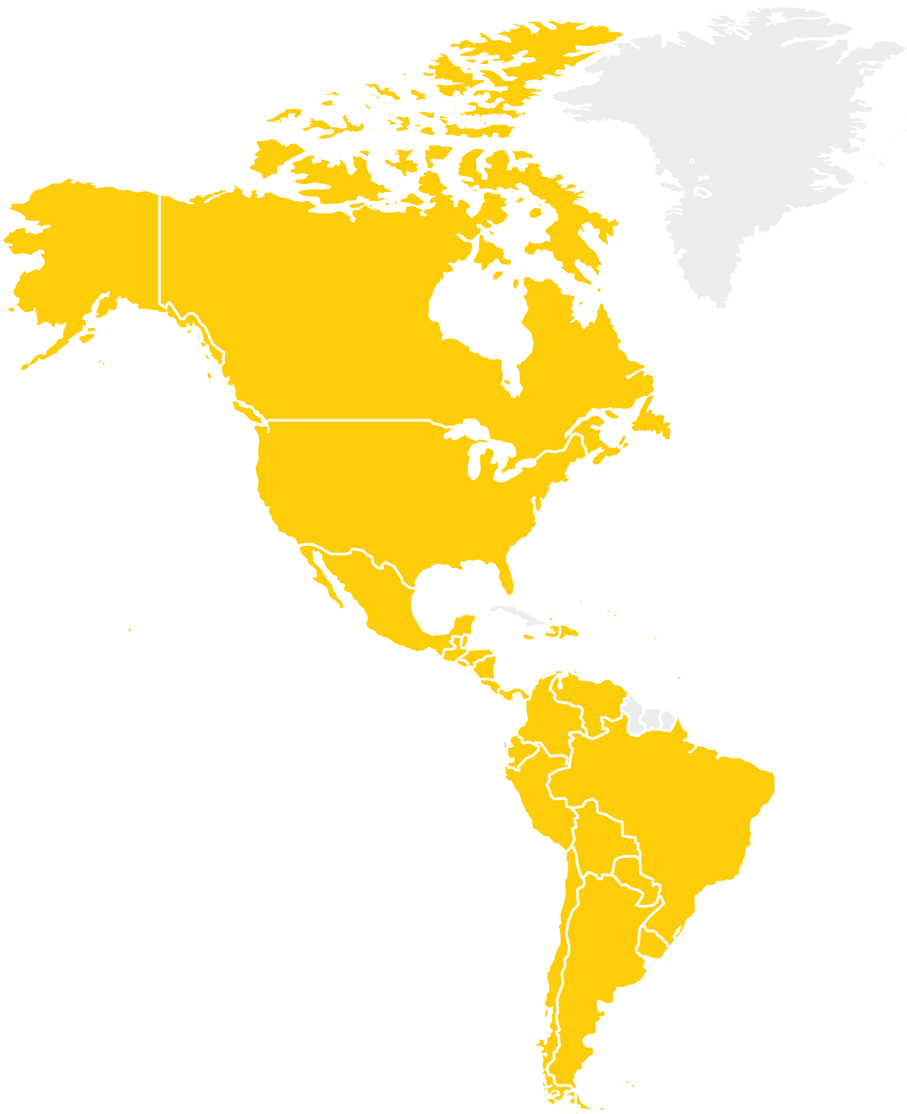
Transported Asset Protection Association (TAPA)
A forum that unites manufacturers, logistics providers, freight carriers, law enforcement authorities and other stakeholders with the common aim of reducing losses from international supply chains.

Twenty-foot equivalent unit (TEU)
Standardised container unit, 20 feet long, 8 feet wide (6 × 2.4 metres).

GRAPHS AND TABLES

LOCATIONS

D.01 Deutsche Post DHL around the world [1]



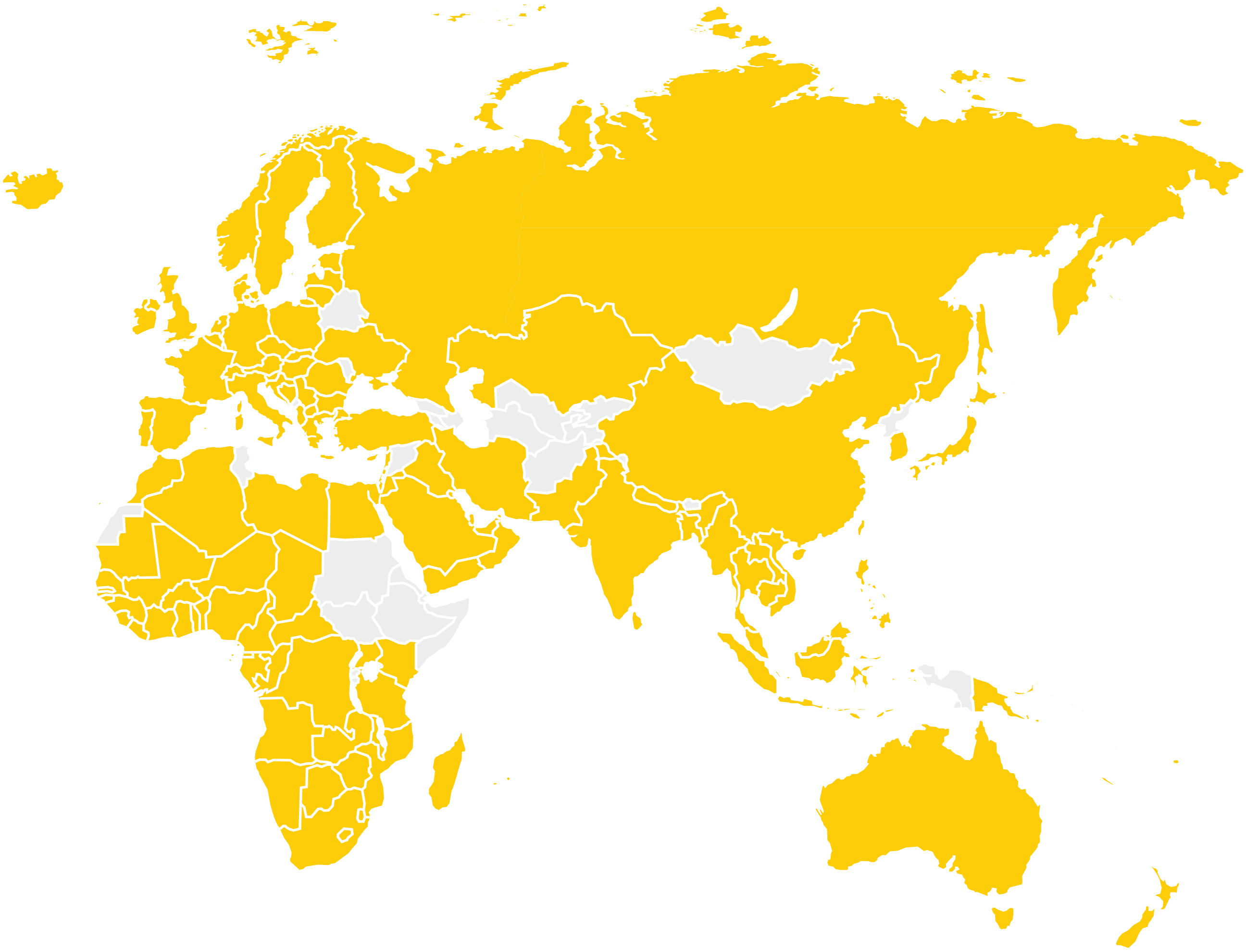
Americas

Antigua and Barbuda	Colombia	Nicaragua
Argentina	Costa Rica	Panama
Aruba	Dominican Republic	Paraguay
Bahamas	Dutch Antilles	Peru
Barbados	Ecuador	Puerto Rico
Belize	El Salvador	St Lucia
Bermuda	Guadeloupe	Trinidad and Tobago
Bolivia	Guatemala	Uruguay
Brazil	Haiti	USA
British Virgin Islands	Honduras	Venezuela
Canada	Jamaica	
Cayman Islands	Martinique	
Chile	Mexico	

Europe

Albania	Greece	Portugal
Austria	Hungary	Romania
Belgium	Iceland	Russia
Bosnia and Herzegovina	Ireland	Serbia
Bulgaria	Italy	Slovakia
Croatia	Latvia	Slovenia
Cyprus	Lithuania	Spain
Czech Republic	Luxembourg	Sweden
Denmark	Macedonia	Switzerland
Estonia	Malta	Ukraine
Finland	Netherlands	United Kingdom
France	Norway	
Germany	Poland	

[1] Countries according to the list of shareholdings, which can be accessed on the website dpdhl.com/en/investors.



Middle East and Africa

Algeria
Angola
Bahrain
Benin
Botswana
Burkina Faso
Cameroon
Central African Republic
Chad
Democratic Republic of Congo
Egypt
Ethiopia
Gabon
Gambia
Ghana
Guinea
Iran
Iraq
Israel
Ivory Coast
Jordan
Kenya
Kuwait
Lebanon
Lesotho
Liberia
Libya
Madagascar
Malawi
Mali
Mauretania
Mauritius
Morocco
Mozambique
Namibia
Niger
Nigeria
Oman
Qatar
Republic of Congo
Republic of Equatorial Guinea
Réunion
Saudi Arabia
Senegal
Sierra Leone
South Africa
Swaziland
Tanzania
Togo
Turkey
Uganda
United Arab Emirates
Yemen
Zambia
Zimbabwe

Asia Pacific

Australia
Bangladesh
Brunei Darussalam
Cambodia
China
East Timor
Fiji
French Polynesia
India
Indonesia
Japan
Kazakhstan
Laos
Macau
Malaysia
Myanmar/Burma
Nepal
New Caledonia
New Zealand
Pakistan
Papua New Guinea
Philippines
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

MULTI-YEAR REVIEW

D.02 Key figures 2006 to 2013

€m	2006 adjusted	2007 adjusted	2008 adjusted	2009 adjusted	2010 adjusted	2011 adjusted	2012 adjusted	2013
Revenue								
MAIL	15,290	14,569	14,393	13,912	13,913	13,973	13,972	14,452
EXPRESS	13,463	13,874	13,637	9,917	11,111	11,691	12,778	12,712
LOGISTICS	24,405	–	–	–	–	–	–	–
GLOBAL FORWARDING, FREIGHT	–	12,959	14,179	11,243	14,341	15,118	15,666	14,838
SUPPLY CHAIN	–	14,317	13,718	12,183	13,061	13,223	14,340	14,277
FINANCIAL SERVICES	9,593	–	–	–	–	–	–	–
SERVICES	2,201	–	–	–	–	–	–	–
Divisions total	64,952	55,719	55,927	47,255	52,426	54,005	56,756	56,279
Corporate Center/Other (until 2006: Consolidation; until 2007: Corporate Center/Other and Consolidation)	−4,407	−1,676	1,782	1,527	1,302	1,260	1,203	1,251
Consolidation	–	–	−3,235	−2,581	−2,340	−2,436	−2,447	−2,445
Total (continuing operations)	**60,545**	**54,043**	**54,474**	**46,201**	**51,388**	**52,829**	**55,512**	**55,085**
Discontinued operations	–	10,335	11,226	1,634	–	–	–	–
Profit/loss from operating activities (EBIT)								
MAIL	2,094	1,976	2,179	1,391	1,120	1,107	1,048	1,226
EXPRESS	288	−272	−2,194	−790	497	916	1,110	1,133
LOGISTICS	751	–	–	–	–	–	–	–
GLOBAL FORWARDING, FREIGHT	–	409	362	174	383	440	514	483
SUPPLY CHAIN	–	577	−920	−216	231	362	419	441
FINANCIAL SERVICES	1,004	–	–	–	–	–	–	–
SERVICES	−229	–	–	–	–	–	–	–
Divisions total	3,908	2,690	−573	559	2,231	2,825	3,091	3,283
Corporate Center/Other (until 2006: Consolidation; until 2007: Corporate Center/Other and Consolidation)	−36	−557	−393	−328	−395	−389	−423	−421
Consolidation	–	–	0	0	−1	0	−3	−1
Total (continuing operations)	**3,872**	**2,133**	**−966**	**231**	**1,835**	**2,436**	**2,665**	**2,861**
Discontinued operations	–	1,060	−871	−24	–	–	–	–
Consolidated net profit/loss for the period	**2,282**	**1,873**	**−1,979**	**693**	**2,630**	**1,266**	**1,762**	**2,211**
Cash flow/investments/depreciation, amortisation and impairment losses								
Total cash flow from operating activities	3,922	5,151	1,939	−584	1,927	2,371	−203	2,994
Total cash flow from investing activities	−2,697	−1,053	−441	−2,710	8	−1,129	−1,697	−1,772
Total cash flow from financing activities	−865	−1,787	−1,468	1,676	−1,651	−1,547	1,199	−110
Investments	4,066	2,343	3,169	1,444	1,276	1,880	2,032	1,494
Depreciation, amortisation and impairment losses	1,771	2,196	2,662	1,620	1,296	1,274	1,339	1,341
Assets and capital structure								
Non-current assets	26,074	25,764	20,517	22,022	24,493	21,225	21,568	21,366
Current assets	191,624	209,656	242,447	12,716	13,270	17,183	12,289	14,112
Equity (excluding non-controlling interests)	11,220	11,035	7,826	8,176	10,511	11,009	9,019	9,857
Non-controlling interests	2,732	2,778	2,026	97	185	190	209	191
Current and non-current provisions	14,233	12,276	10,836	9,677	9,427	9,008	8,978	8,460
Current and non-current liabilities[1]	20,850	21,544	242,276	16,788	17,640	18,201	15,651	16,970
Total assets	**217,698**	**235,420**	**262,964**	**34,738**	**37,763**	**38,408**	**33,857**	**35,478**

		2006 adjusted	2007 adjusted	2008 adjusted	2009	2010	2011	2012 adjusted	2013
Employees/staff costs (from 2007: continuing operations)									
Total number of employees (headcount including trainees)	as at 31 Dec.	520,112	512,147	512,536	477,280	467,088	471,654	473,626	480,006
Full time equivalents	as at 31 Dec.	463,350	453,626	451,515	424,686	418,946	423,502	428,129	435,285
Average number of employees (headcount)		507,641	500,252	511,292	488,518	464,471	467,188	472,321	479,212
Staff costs	€m	18,616	17,169	18,389	17,021	16,609	16,730	17,770	17,785
Staff cost ratio[2]	%	30.7	31.8	33.8	36.8	32.3	31.7	32.0	32.3
Key figures revenue/income/assets and capital structure									
Return on sales[3]	%	6.4	3.9	−1.8	0.5	3.6	4.6	4.8	5.2
Return on equity (ROE) before taxes[4]	%	21.6	8.6	−9.0	3.0	29.8	15.2	23.6	26.7
Return on assets[5]	%	2.0	0.9	−0.4	0.2	5.1	6.4	7.4	8.3
Tax rate[6]	%	19.7	14.0	–	5.4	6.9	23.7	20.2	14.0
Equity ratio[7]	%	6.4	5.9	3.7	23.8	28.3	29.2	27.3	28.3
Net debt (+)/net liquidity (–) (Postbank at equity)[8]	€m	3,083	2,858	2,466	−1,690	−1,382	−938	1,952	1,481
Net gearing (Postbank at equity)[9]	%	21.4	20.4	23.7	−25.7	−14.8	−9.1	17.5	12.8
Dynamic gearing (Postbank at equity)[10]	years	1.4	1.0	0.7	−1.4	−0.7	−0.4	−9.6	0.5
Key stock data									
(Diluted) earnings per share[11]	€	1.60	1.15	−1.40	0.53	2.10	0.96	1.30	1.66
Cash flow per share[11, 12]	€	3.28	4.27	1.60	−0.48	1.59	1.96	−0.17	2.48
Dividend distribution	€m	903	1,087	725	725	786	846	846	967[13]
Payout ratio (distribution to consolidated net profit)	%	47.1	78.6	–	112.6	30.9	72.7	51.6	46.2
Dividend per share	€	0.75	0.90	0.60	0.60	0.65	0.70	0.70	0.80[13]
Dividend yield (based on year-end closing price)	%	3.3	3.8	5.0	4.4	5.1	5.9	4.2	3.0
(Diluted) price/earnings ratio[14]		14.3	20.4	−8.5	25.5	6.0	12.4	12.8	16.0
Number of shares carrying dividend rights	millions	1,204.0	1,208.2	1,209.0	1,209.0	1,209.0	1,209.0	1,209.0	1,209.0
Year-end closing price	€	22.84	23.51	11.91	13.49	12.70	11.88	16.60	26.50

[1] Excluding liabilities from financial services. [2] Staff costs/revenue. [3] EBIT/revenue. [4] Profit before income taxes/average equity (including non-controlling interests). [5] EBIT/average total assets. [6] Income taxes/profit before income taxes. [7] Equity (including non-controlling interests)/total assets. [8] From 2006: excluding financial liabilities to minority shareholders of Williams Lea. From 2008: Group Management Report, page 61. [9] Net debt/net debt and equity (including non-controlling interests). [10] Net debt/cash flow from operating activities. [11] The weighted average number of shares for the period was used for the calculation. [12] Cash flow from operating activities. [13] Proposal. [14] Year-end closing price/(diluted) earnings per share.

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FINANCIAL CALENDAR

2014

INTERIM REPORT
JANUARY TO MARCH 2014
15 May 2014

2014 ANNUAL GENERAL MEETING
(FRANKFURT AM MAIN)
27 May 2014

DIVIDEND PAYMENT
28 May 2014

INTERIM REPORT
JANUARY TO JUNE 2014
5 August 2014

INTERIM REPORT
JANUARY TO SEPTEMBER 2014
12 November 2014

2015

2014 ANNUAL REPORT
11 March 2015

INTERIM REPORT
JANUARY TO MARCH 2015
12 May 2015

2015 ANNUAL GENERAL MEETING
(FRANKFURT AM MAIN)
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DIVIDEND PAYMENT
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INTERIM REPORT
JANUARY TO JUNE 2015
5 August 2015

INTERIM REPORT
JANUARY TO SEPTEMBER 2015
11 November 2015

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