ON A NEW LEVEL

2021 ANNUAL REPORT

Deutsche Post DHL Group

Key figures

		2017	2018	2019	2020 adjusted	2021
Financial figures						
Revenue	€m	60,444	61,550	63,341	66,716	81,747
Profit from operating activities (EBIT)	€m	3,741	3,162	4,128	4,847	7,978
Return on sales[1]	%	6.2	5.1	6.5	7.3	9.8
EBIT after asset charge (EAC)	€m	2,175	716	1,509	2,199	5,186
Consolidated net profit for the period[2]	€m	2,713	2,075	2,623	2,979	5,053
Net cash from operating activities	€m	3,297	5,796	6,049	7,699	9,993
Free cash flow	€m	1,432	1,059	867	2,535	4,092
Capex[3]	€m	2,268	2,648	3,617	2,999	3,895
Equity ratio[4]	%	33.4	27.5	27.6	25.5	30.7
Net debt[5]	€m	1,938	12,303	13,367	12,928	12,772
Net gearing[6]	%	13.1	47.0	48.2	47.9	39.6
Stock data						
Basic earnings per share[7]	€	2.24	1.69	2.13	2.41	4.10
Diluted earnings per share[8]	€	2.15	1.66	2.09	2.36	4.01
Cash flow per share[7,9]	€	2.72	4.71	4.90	6.22	8.11
Dividend per share	€	1.15	1.15	1.15	1.35	1.80[10]
Dividend distribution	€m	1,409	1,419	1,422	1,673	2,205[10,11]
Number of shares as at 31 December	millions	1,228.7	1,236.5	1,236.5	1,239.1	1,239.1
Year-end closing price	€	39.75	23.91	34.01	40.50	56.54
ESG figures						
GHG efficiency index (CEX)[12]	index points	32	33	35	37	36
GHG emissions[13]	million tonnes CO_2e	34.88	35.63	33.20	33.64	39.36
Energy consumption, company fleet	million kWh	21,733	23,243	23,100	24,336	27,296
Energy consumption, company buildings and facilities[14]	million kWh	3,194	3,194	3,099	3,091	3,190
Employee Opinion Survey, approval rate for Employee Engagement KPI	%	75	76	77	83	84
Number of employees[15]		519,544	547,459	546,924	571,974	592,263
Share of women in executive positions[16]	%	21.5	22.1	22.2	23.2	25.1
Lost time injury frequency rate (LTIFR) per 200,000 working hours		4.4	4.3	4.2	3.9	3.9
Share of valid compliance-relevant training certificates[16]	%	–	–	–	–	96

[1] EBIT/revenue. [2] After deduction of non-controlling interests. [3] Capex relating to assets acquired. [4] Equity (including non-controlling interests)/total equity and liabilities. [5] Calculation, Combined management report. [6] Net debt/net debt and equity (including non-controlling interests). [7] The average weighted number of shares outstanding is used for the calculation. [8] The average weighted number of shares outstanding is adjusted for the number of all potentially dilutive shares. [9] Cash flow from operating activities. [10] Proposal. [11] Estimate. [12] Tank-to-wheel. [13] Well-to-wheel. [14] Including electric vehicles. [15] Headcount at the end of the year, including trainees. [16] Middle and upper management.

CONTENTS

We demonstrated our full strength during challenging times and achieved a new record performance.

Frank Appel

Dear Readers, 2021 was yet another challenging year in which we demonstrated that we offer reliable delivery even in a turbulent market environment. We began the second year in the circumstances of the pandemic in excellent shape and further strengthened our market position with the right measures. In addition to the top priority of protecting our employees and customers, we responded flexibly to changing circumstances and invested continuously to expand our resources and secure critical supply chains.

Our organisation is stronger than ever before. Although 2021 was no less challenging than 2020, we were able to considerably increase our performance and efficiency in many areas. As a market leader, we have taken on a central role in global trade and benefited from the increased demand for complex logistics solutions. This resulted in record performances, quarter for quarter, thanks to the collaboration of our divisions and the flexibility of our global network. We therefore increased earnings projections three times in 2021 and, with Group EBIT of €8.0 billion, even exceeded this target. With this result, we have achieved a new level of performance and concluded the financial year as the most successful in the history of the company.

Our strategy makes us more resilient than ever.

With Strategy 2025, we are setting ourselves the right goals and pursuing them with consistency and discipline. By focusing heavily on our profitable logistics core businesses, with the acquisition of J.F. Hillebrand, for example, we will continue to expand our position in ocean freight. Through consistent investment in digital solutions, we have optimised our processes and achieved greater efficiency in day-to-day operations. Thanks to the national and international expansion of our parcel delivery network, we were able to ensure that the significantly higher demand and increased volumes in cross-border e-commerce could be met around the globe. Additionally, with logistics services for vaccinations, we are making an important contribution to fighting the pandemic.

We still consider climate change to be one of the greatest threats facing humanity. We want to make the world a better place for all of us, and we are making the necessary adjustments to be able to actively take on future challenges and to create sustainable value. With our ESG Roadmap, which we introduced in March 2021, we reinforced and re-aligned our previous measures. We have implemented key performance indicators and set ourselves clear targets for environmentally friendly logistics, social responsibility and corporate governance.

We are actively taking on the challenges of the future.

We will support our ambitious target of reducing the greenhouse gas emissions of the Group to below 29 million tonnes by the year 2030 with additional spending of €7 billion. In spite of the coronavirus pandemic, we did not lose sight of our plans, which correspond to the stipulations of the Science Based Targets Initiative. Additionally, for the first time, we assessed the opportunities and risks arising from climate change in accordance with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) and classified our contribution to the climate targets of the EU within the framework of the EU taxonomy.

In addition to our dedication to the climate and the environment, we are also making progress in the other areas. Our globally dedicated team is our greatest asset and a high level of satisfaction amongst our approximately 590,000 employees is the key to our success. We therefore advocate for a safe, inclusive and motivating working environment. DHL Express being honoured as the number one best workplace in Europe in 2021 by the international research and consulting institute Great Place to Work® is just one result of our numerous measures. As a global company, we bear an enormous responsibility, which is why responsible actions, ethical business practices and fair conduct form an integral part of our corporate management and our collaboration with our partners.

Our globally dedicated team is our greatest asset and the key to our success.

In spite of the pandemic, our profitability reached a new level in the previous year. With our Group strategy, we are more resilient than ever and we will continue to focus on our profitable core businesses, sustainability, digital solutions and e-commerce. At the moment, due to the current shocking situation in Ukraine, we are all working to provide support to those directly affected and to ensure the safety of our employees. The impact of the conflict in Eastern Europe on the global economy and the world’s transportation markets is currently hard to assess. We will continue to closely monitor the situation.

Sincerely yours, Frank Appel
Chief Executive Officer

BOARDS AND COMMITTEES

Members of and mandates held by the Board of Management

Members

Dr Frank Appel
Chief Executive Officer

Global Business Services

Born in 1961, nationality German
Board member since November 2002
CEO since February 2008
Appointed until May 2023

Ken Allen
eCommerce Solutions

Born in 1955, nationality British
Board member since February 2009
Appointed until July 2022

Oscar de Bok
Supply Chain

Born in 1967, nationality Dutch
Board member since October 2019
Appointed until September 2027

Melanie Kreis
Finance

Born in 1971, nationality German
Board member since October 2014
Appointed until May 2027

Dr Tobias Meyer
Post & Parcel Germany

Born in 1975, nationality German
Board member since April 2019
Appointed until March 2027

Dr Thomas Ogilvie
Human Resources

Born in 1976, nationality German
Board member since September 2017
Appointed until August 2025

John Pearson
Express

Born in 1963, nationality British
Board member since January 2019
Appointed until December 2026

Tim Scharwath
Global Forwarding, Freight

Born in 1965, nationality German
Board member since June 2017
Appointed until May 2025

Additional mandates

Membership of statutory supervisory boards

Dr Frank Appel
Fresenius Management SE (Supervisory Board)
(since 21 May 2021)

Membership of comparable bodies

Ken Allen
Blue Dart Express Ltd., India (Board of Directors)[1]
(until 28 February 2021)

[1] Group mandate.

You can find more information on our website.

Members of and mandates held by the Supervisory Board

Members

Shareholder representatives

Dr Nikolaus von Bomhard (Chair)
Chair of the Supervisory Board and former Chair of the Board of Management, Münchener Rückversicherungs-Gesellschaft AG (Munich Re)

Dr Günther Bräunig
Chair of the Board of Management, KfW Bankengruppe (until 31 October 2021)

Former Chair of the Board of Management, KfW Bankengruppe (since 1 November 2021)

Dr Mario Daberkow
Member of the Managing Board of Volkswagen Financial Services AG

Ingrid Deltenre
Member of various boards of directors, former Director General of the European Broadcasting Union

Dr Heinrich Hiesinger
Member of various supervisory boards, former Chair of the Board of Management, thyssenkrupp AG

Dr Jörg Kukies
State Secretary, Federal Ministry of Finance (until 8 December 2021)

State Secretary, Federal Chancellery (since 9 December 2021)

Simone Menne
Member of various supervisory boards, former member of the Board of Managing Directors of Boehringer Ingelheim GmbH

Lawrence Rosen
Member of various supervisory boards, former member of the Board of Management, Deutsche Post AG

Dr Stefan Schulte
Chair of the Executive Board of Fraport AG

Prof. Dr-Ing. Katja Windt
Member of the Managing Board of SMS group GmbH

Employee representatives

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

Jörg von Dosky
Chair of the Group and Company Executive Representation Committee, Deutsche Post AG

Gabriele Gülzau
Chair of the Works Council, Deutsche Post AG, Hamburg Operations Branch

Thomas Held
Chair of the Central Works Council, Deutsche Post AG

Mario Jacubasch
Deputy Chair of the Group Works Council, Deutsche Post AG (until 31 August 2021)

Chair of the Group Works Council, Deutsche Post AG (since 1 September 2021)

Thomas Koczelnik
(until 31 August 2021)

Chair of the Group Works Council, Deutsche Post AG

Thorsten Kühn
Head of Postal Services, Co-determination and Youth, and Head of National Postal Services Group at ver.di National Administration

Ulrike Lennartz-Pipenbacher
Deputy Chair of the Central Works Council, Deutsche Post AG

Yusuf Özdemir
(since 9 September 2021)

Deputy Chair of the Group Works Council and Deputy Chair of the Central Works Council, Deutsche Post AG

Stephan Teuscher
Head of Wage, Civil Servant and Social Policies in the Postal Services, Forwarding Companies and Logistics Department, ver.di National Administration

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

Additional mandates

Shareholder representatives

Membership of statutory supervisory boards

Dr Nikolaus von Bomhard (Chair)
Münchener Rückversicherungs-Gesellschaft AG (Munich Re) (Chair)

Dr Günther Bräunig
Deutsche Pfandbriefbank AG (Chair)

Deutsche Telekom AG

Dr Heinrich Hiesinger
BMW AG

Fresenius Management SE

ZF Friedrichshafen AG (since 1 January 2021), (Chair since 1 January 2022)

Dr Jörg Kukies
KfW IPEX-Bank GmbH[1]

Simone Menne
BMW AG (until 18 May 2021)

Henkel AG & Co. KGaA

Lawrence Rosen
Lanxess AG

Lanxess Deutschland GmbH[2]

Prof. Dr-Ing. Katja Windt
Fraport AG

Membership of comparable bodies

Dr Nikolaus von Bomhard (Chair)
Athora Holding Ltd., Bermuda (Board of Directors, Chair)

Dr Mario Daberkow
Softbridge-Projectos Tecnológicos S.A., Portugal (Board of Directors)[3]

Volkswagen Participações Ltda., Brazil (Supervisory Board)[3]

Volkswagen Holding Financière S.A., renamed Volkswagen Financial Service France S.A. on 5 August 2021, France (Supervisory Board)[3]

Volkswagen Payments S.A., Luxembourg (Supervisory Board, Chair)[3]

Volkswagen S.A., Institución de Banca Múltiple, Mexico (Supervisory Board)[3] (until 7 October 2021)

VW Credit, Inc., USA (Board of Directors)[3]

Ingrid Deltenre
Givaudan SA, Switzerland (Board of Directors)

Banque Cantonale Vaudoise SA, Switzerland (Board of Directors)

Agence France Presse, France (Board of Directors)

Akara Funds AG, Switzerland (Board of Directors)

Dr Jörg Kukies
KfW Bankengruppe (Deputy member of the Board of Directors) (until 8 December 2021)

Simone Menne
Johnson Controls International plc, Ireland (Board of Directors)

Russell Reynolds Associates Inc., USA (Board of Directors)

Lawrence Rosen
Qiagen N.V., Netherlands (Supervisory Board, Chair)

Dr Stefan Schulte
Fraport Ausbau Süd GmbH (Supervisory Board, Chair)[4]

Fraport Regional Airports of Greece A S.A., Greece (Board of Directors, Chair)[4]

Fraport Regional Airports of Greece B S.A., Greece (Board of Directors, Chair)[4]

Fraport Regional Airports of Greece Management Company S.A., Greece (Board of Directors, Chair)[4]

Fraport Brasil S.A. Aeroporto de Porto Alegre, Brazil (Supervisory Board, Chair)[4]

Fraport Brasil S.A. Aeroporto de Fortaleza, Brazil (Supervisory Board, Chair)[4]

Employee representatives

Membership of statutory supervisory boards

Jörg von Dosky
PSD Bank München eG

Stephan Teuscher
DHL Hub Leipzig GmbH (Deputy Chair)

Membership of comparable bodies

Andrea Kocsis
KfW Bankengruppe (Board of Directors)

[1] Group mandate, KfW Bankengruppe. [2] Group mandate, Lanxess AG. [3] Group mandates, Volkswagen AG. [4] Group mandates, Fraport AG.

You can find more information on our website.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

As the world's leading logistics company, we grew significantly in the year under review, demonstrated our resilience and strength and were optimally prepared for global trade with restricted logistics capacities. We were thus able to successfully navigate the second year of the pandemic and the various challenges it posed for the company's customers and employees, as well as all divisions.

The Board of Management kept the Supervisory Board up to date with information that allowed it to once again deal with the current developments in detail. In a spirit of trust and openness, a lively and intensive exchange of information on all important aspects of the business took place between members of the Board of Management and the Supervisory Board during regular meetings of the Supervisory Board committees and in plenary, as well as in the discussions held between meetings.

Attendance at plenary and committee meetings

For meetings of the plenary and the committees where they held seats, members of the Supervisory Board once again recorded a 100% attendance rate.

The members of the Board of Management participated in five plenary meetings and reported on the business performance in the divisions for which they are responsible. The Supervisory Board dealt with certain agenda items without the presence of the Board of Management members. The CEO and the members of the Board of Management responsible for their relevant agenda topics attended the 21 committee meetings. Executives from the tier immediately below the Board of Management and representatives of the auditors were also invited to attend for individual agenda items. In the autumn, I held talks with several investors and proxies regarding issues that are the Supervisory Board's responsibility.

Attendance at plenary and committee meetings 2021

	Supervisory Board meetings		Committee meetings	
Supervisory Board members	Attendance/meetings	Attendance %	Attendance/meetings	Attendance %
Dr Nikolaus von Bomhard (Chair)	5/5	100	14/14	100
Andrea Kocsis (Deputy Chair)	5/5	100	13/13	100
Dr Günther Bräunig	5/5	100	6/6	100
Dr Mario Daberkow	5/5	100	–	–
Ingrid Deltenre	5/5	100	8/8	100
Jörg von Dosky	5/5	100	–	–
Gabriele Gülzau	5/5	100	–	–
Thomas Held	5/5	100	4/4	100
Dr Heinrich Hiesinger	5/5	100	6/6	100
Mario Jacubasch	5/5	100	1/1	100
Thomas Koczelnik (until 31 August 2021)	3/3	100	10/10	100
Thorsten Kühn	5/5	100	3/3	100
Dr Jörg Kukies	5/5	100	11/11	100
Ulrike Lennartz-Pipenbacher	5/5	100	–	–
Simone Menne	5/5	100	7/7	100
Yusuf Özdemir (since 9 September 2021)	2/2	100	2/2	100
Lawrence Rosen	5/5	100	–	–
Dr Stefan Schulte	5/5	100	7/7	100
Stephan Teuscher	5/5	100	13/13	100
Stefanie Weckesser	5/5	100	7/7	100
Prof. Dr-Ing. Katja Windt	5/5	100	–	–

Key topics addressed in plenary meetings

Discussions in all plenary meetings involved the company's financial position and business performance as well as reports on committee meetings. The following key topics were also addressed:

In March 2021, we discussed the annual and consolidated financial statements, including the management report and the non-financial report. Following the report by the auditor regarding the findings of the audit, we approved the financial statements at the recommendation of the Finance and Audit Committee. We concurred with the Board of Management's proposed resolution on the appropriation of the net retained profit and the redemption of up to 30 million shares for the share buy-back planned for the reporting period. We determined the annual bonus for active Board of Management members based upon the degree of target achievement and corresponding recommendations by the Strategy Committee as well as Executive Committee and extended John Pearson's mandate by five years. The proposed resolutions for the 2021 Annual General Meeting, including the re-election of Ingrid Deltenre and me for a second four-year term and Katja Windt for a third two-year term, were also approved at this meeting. We also held in-depth discussions on the sustainability strategy of the company.

In our June meeting, we appointed Melanie Kreis, the Board member responsible for Finance, and Tobias Meyer, the Board member responsible for the Post & Parcel Germany division, respectively, to further five-year terms on the company's Board of Management. Both Board members have made major improvements to their areas of responsibility and they make an important contribution to the company's Board of Management with their skills and experience, thereby expanding the skills profile of the Board. The meeting also included discussions of the Group's succession planning with a special focus on female executives.

In an extraordinary meeting held in August, we approved a strategically relevant acquisition – of the J.F. Hillebrand Group – which significantly reinforced the Deutsche Post DHL Group's position in the ocean freight sector.

In our September meeting, we addressed the sale of StreetScooter Engineering GmbH and our committee memberships. Without the presence of the Board of Management, we discussed the efficiency of our activities in the plenary meetings and in the committees at length and concluded that we performed and continue to perform our monitoring and advisory duties effectively and efficiently.

In our final Supervisory Board meeting of the year held in December, we decided that Tobias Meyer would succeed Frank Appel, and Nikola Hagleitner would succeed Tobias Meyer. We appointed Oscar de Bok, the Board member responsible for the Supply Chain division, to another five-year term on the Board of Management until 30 September 2027. In addition, we discussed an increase to the Supervisory Board member remuneration. We approved the Group's business plan for 2022. We added sustainability topics to the responsibilities of the Strategy Committee and expanded the Supervisory Board skills profile to include these topics as well, and we defined the ESG targets for variable remuneration of Board of Management members for the 2022 financial year.

Key topics addressed in committee meetings

The six committees of the Supervisory Board prepare the decisions to be made in the plenary meetings. They have also been tasked with taking the final decisions regarding a few matters, including approval for property transactions and secondary activities of Board of Management members. The committee chairs report extensively in the plenary meetings on the work of the committees. The composition of the committees is outlined in the Annual Corporate Governance Statement.

The Executive Committee met three times and dealt mainly with Board of Management issues, particularly reviewing succession planning.

The Personnel Committee held four meetings. Discussions focussed on keeping employees safe during the pandemic, promoting women to executive positions, HR processes and services, the development of leadership and corporate culture, and ensuring the preservation of talents and skills.

The Finance and Audit Committee met seven times. It examined the financial statements and the combined management report for the company and the Group. The committee also discussed the half-yearly financial report following the review by the auditor and the quarterly financial statements with the CEO, the Board member for finance and the auditor prior to publication. In addition, it issued the audit engagement for the audit firm elected by the Annual General Meeting and specified the key audit priorities. Also covered at the meetings were the non-audit services provided by the audit firm, the accounting process, risk management and the findings of internal audits. It obtained detailed reports from the Chief Compliance Officer on important aspects of compliance and on updates to the compliance organisation and compliance management.

The Strategy Committee met six times, primarily addressing the strategic positioning of the individual business units in their respective market segments and the implementation of our Strategy 2025, as well as the acquisition and sale of equity investments. The particular areas of focus were the further development of the various digitalisation initiatives and the sustainability of business operations in the divisions. In December, the Supervisory Board assigned the committee the responsibility for regularly addressing sustainability-related topics (environment, social, governance – ESG) from a strategic perspective.

The Nomination Committee met once. It recommended that the Supervisory Board propose to the 2022 Annual General Meeting that Stefan B. Wintels, CEO of KfW Bankengruppe, be proposed as a Supervisory Board candidate and successor to Günther Bräunig, who is stepping down at the close of the Annual General Meeting on 6 May 2022.

The Mediation Committee did not meet in the year under review.

Support of the members of the Supervisory Board

The company supports the members of the Supervisory Board in terms of the constantly evolving requirements on their activities. Newly elected members of the Supervisory Board receive a customised introduction in the form of individual meetings with the members of the Board of Management; additional measures include the provision of informational materials, access to a digital data room specially designed for the Supervisory Board and the offer of reimbursement for the cost of attending selected external training events and subscribing to industry publications. In addition, to the extent permitted by the coronavirus restrictions, regular guided walk-throughs at operating units of the company were held in conjunction with Supervisory Board meetings with the participation of members of the Board of Management. These provided Supervisory Board members with an in-depth look at operational workflows and conditions on the ground. In June, Directors' Day covered the topics of the tax situation and internal and external communications of the Deutsche Post DHL Group; in September, it covered the *Lieferkettengesetz* (Supply Chain Act), *Finanzmarktintegritätsstärkungsgesetz* (Financial Market Integrity Strengthening Act) and other current developments in the field of corporate governance.

Changes to the Board of Management

There were no changes to the Board of Management during the year under review.

We initiated the change at the top of the company in December. We renewed the appointment of Frank Appel until 4 May 2023. He will thus chair the Board of Management until the 2023 Annual General Meeting. Tobias Meyer, the Board member responsible for Post & Parcel Germany up until then, will succeed him. In the course of the transition, Tobias Meyer will assume the Global Business Services Group function from Frank Appel in July 2022. We appointed Nikola Hagleitner, currently head of the business department Sales, Post & Parcel Germany, to head the Post & Parcel Germany division from July 2022 as Tobias Meyer's successor.

Changes to the Supervisory Board

There were no changes to the shareholder representatives during the reporting period. The employee representative Thomas Koczelnik stepped down from the Supervisory Board on 31 August 2021. The court appointed Yusuf Özdemir to replace him as a member of the Supervisory Board.

An overview of current Supervisory Board members is provided in **Boards and committees.**

Managing conflicts of interest

Supervisory Board members neither hold positions on the governing bodies of, nor provide consultancy services to, the Group's main competitors, nor do they maintain personal relationships with them. No conflicts of interest were reported in the year under review.

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

In December, the members of the Board of Management and the Supervisory Board issued a statement of compliance with the recommendations of the German Corporate Governance Code as amended on 16 December 2019 and their intent to continue to comply in the future – with the sole exception that, on a case-by-case basis, a Board of Management member may assume a chairmanship appointment to the supervisory board of a company outside the Group in the final months of their term. We consider it appropriate for experienced members of our Board of Management to assume supervisory board chairmanship appointments outside the Group during the final months of their terms. The statements from past years can be accessed on the company's website. Further information regarding corporate governance within the company can be found in the **Annual Corporate Governance Statement.**

2021 annual and consolidated financial statements examined

The auditors elected by the AGM, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, audited the annual and consolidated financial statements for the 2021 financial year, including the combined management report, and issued unqualified audit opinions. PwC also conducted the voluntary review of the half-yearly financial report and the voluntary substantive review of the remuneration report to be approved by the Annual General Meeting without issuing any objections.

After prior examination by the Finance and Audit Committee, the Supervisory Board in its meeting today discussed the annual and consolidated financial statements, including the Board of Management's proposal on the appropriation of the net retained profit, and the combined management report including the combined non-financial statement for the 2021 financial year in depth with the Board of Management. PwC reported on the results of their audit before the Finance and Audit Committee and plenary meeting and was available to answer questions. The Supervisory Board concurred with the results of the audit and approved the annual and consolidated financial statements for the 2021 financial year, as recommended by the Finance and Audit Committee. No objections were raised on the basis of the final outcome of the examination by the Supervisory Board and the Finance and Audit Committee of the annual and consolidated financial statements, the combined management report including the combined non-financial statement, and the proposal for the appropriation of the net retained profit. The Supervisory Board endorsed the Board of Management's proposal for the appropriation of net retained profit and the payment of a dividend of €1.80 per share.

We would like to thank all employees as well as the members of the Board of Management of the company for their outstanding work over the last financial year, which resulted in a correspondingly good profit for the year.

Bonn, 8 March 2022
The Supervisory Board

Nikolaus von Bomhard
Chairman

REPORTING PRACTICE

This publication contains both financial and non-financial information about the results for the 2021 financial year. It was published on 9 March 2022 in German and English and is available online and as a PDF. The report sections that are subject to publication requirements are published in the *Bundesanzeiger* (Federal Gazette), in due consideration of the European Single Electronic Format (ESEF).

Applied reporting standards

As a listed company, Deutsche Post AG has prepared its consolidated financial statements in accordance with Section 315e *Handelsgesetzbuch* (HGB – German Commercial Code) in compliance with International Financial Reporting Standards (IFRSs) and the corresponding Interpretations of the International Accounting Standards Board (IASB) as adopted in the European Union.

The combined management report comprises the Group Management Report of Deutsche Post DHL Group and the Management Report of Deutsche Post AG. Unless otherwise noted, the information presented refers to the Group. Information pertaining solely to Deutsche Post AG is identified as such.

The combined management report also includes the combined non-financial statement for Deutsche Post AG and for the Group in accordance with Sections 289b(1) and 315b(1) HGB. The non-financial key performance indicators used for managing the Group were determined on the basis of their materiality in accordance with the German Commercial Code; the German Accounting Standards (GASs) were applied, Steering metrics. The Global Reporting Initiative (GRI) standards are taken as the framework for determining material topics, supplemented by HGB requirements. The non-financial statement also includes information aimed at facilitating sustainable investment (EU Taxonomy) in accordance with Article 8 of Regulation 2020/852 of the European Parliament and of the European Council. In the interest of avoiding repetition, please also refer to other sections of the management report for reporting on mandatory disclosures, provided that they already are explained in greater detail there. Information regarding employees applies to all of the Group's staff; exceptions are noted as such.

Independent audit

The consolidated financial statements of Deutsche Post AG and its subsidiaries and the combined management report for the financial year from 1 January to 31 December 2021 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) in a reasonable assurance engagement, Auditor's report.

The combined non-financial statement was audited separately by PwC on behalf of the Supervisory Board in a limited and, for certain indicators, reasonable assurance engagement, Practitioner's report.

The contents of the Corporate governance statement pursuant to Section 289f and 315d HGB have not been audited.

Forward-looking statements

This report contains forward-looking statements which are not historical facts. They also include statements concerning assumptions and expectations which are based upon current plans, estimates and projections, and the information available to Deutsche Post AG at the time this report was completed. They should not be considered to be assurances of future performance and results contained therein. Instead, they depend on a number of factors and are subject to various risks and uncertainties (particularly those described in the "Expected developments, opportunities and risks" section) and are based on assumptions that may prove to be inaccurate. It is possible that actual performance and results may differ from the forward-looking statements made in this report. Deutsche Post AG undertakes no obligation to update the forward-looking statements contained in this report except as required by applicable law. If Deutsche Post AG updates one or more forward-looking statements, no assumption can be made that the statement(s) in question or other forward-looking statements will be updated regularly.

Additional information

Refers to information contained elsewhere in the report.
Indicates a hyperlink to content available online that is not part of this report.

Separate remuneration report

According to Section 162 German Stock Corporation Act (AktG), listed companies are now required to separately prepare a joint remuneration report for the Board of Management and Supervisory Board each year that will be published on the company's website.

Translation

The English version of the 2021 Annual Report of Deutsche Post DHL Group constitutes a translation of the original German version. Only the German version is legally binding, insofar as this does not conflict with legal provisions in other countries.

GENERAL INFORMATION

Business model

An international service portfolio

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. Under its DHL and Deutsche Post brands, Deutsche Post DHL Group provides an international service portfolio of services in the areas of express delivery, freight transport, supply chain management, e-commerce solutions and letter and parcel dispatch. The Group is organised into five operating divisions: Express; Global Forwarding, Freight; Supply Chain; eCommerce Solutions; and Post & Parcel Germany. Each of the divisions is managed by its own divisional headquarters and subdivided into functions, business units or regions for reporting purposes.

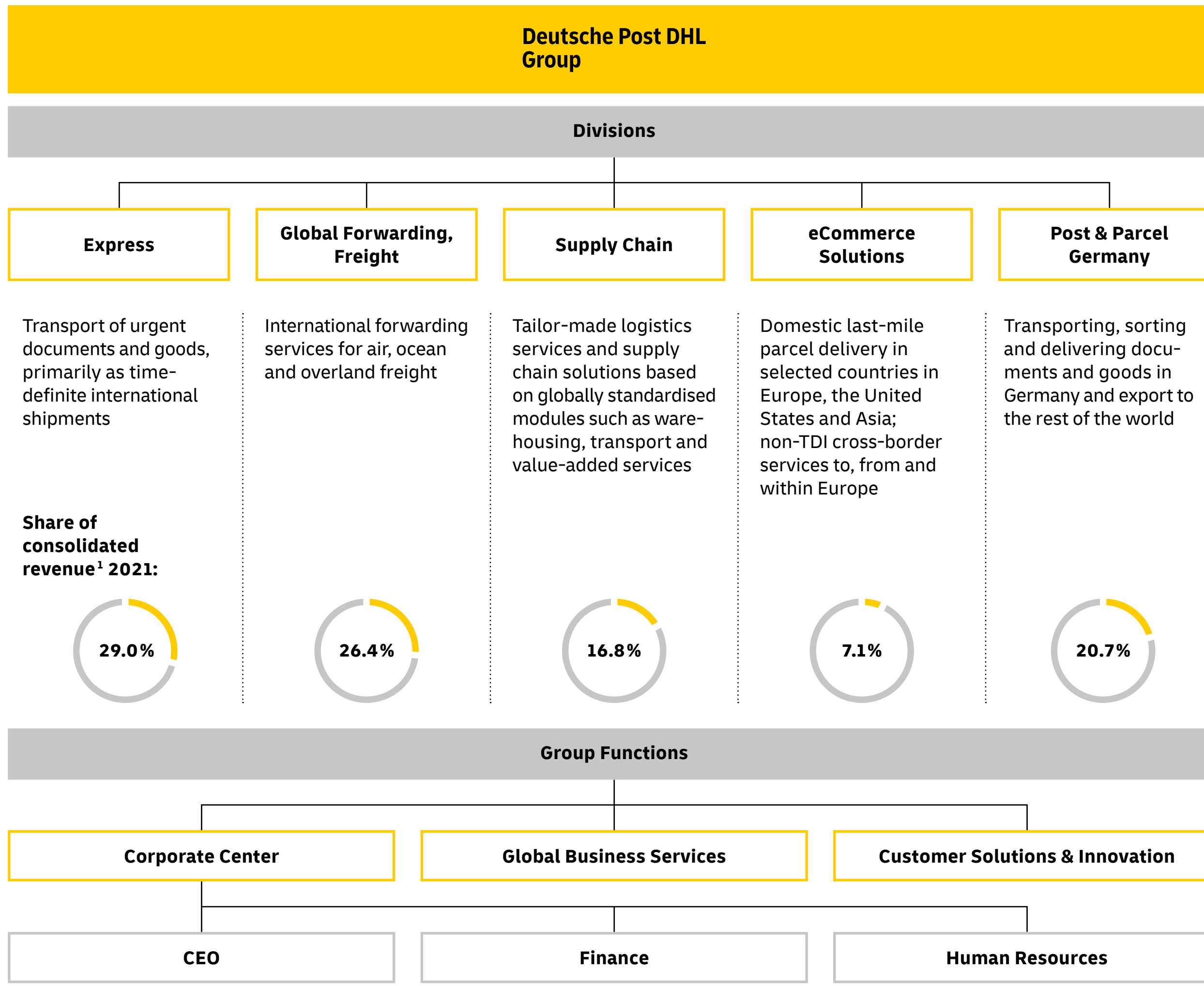
The internal services that support the entire Group are consolidated in our Global Business Services unit. Group management functions are centralised in Group Functions.

Organisational changes

On 1 January 2021, the Corporate Incubations board department was discontinued and Corporate Functions renamed Group Functions.

In March 2021, John Pearson's Board of Management term was extended until December 2026. In June 2021, the Board of Management terms of Tobias Meyer and Melanie Kreis were extended to March 2027 and May 2027, respectively.

Corporate structure as at 31 December 2021



[1] Note 11 to the consolidated financial statements.

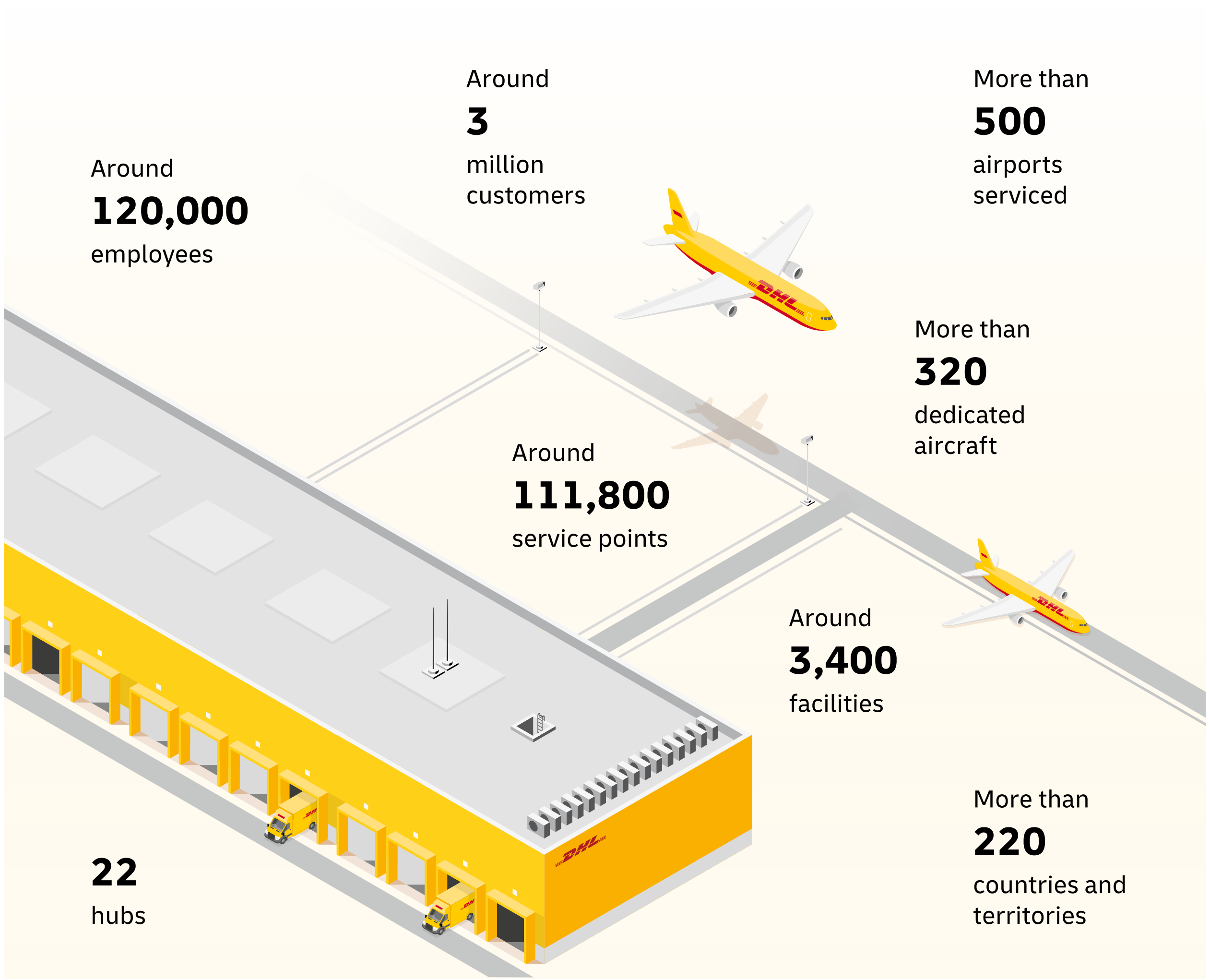
The Supervisory Board resolved the following changes in December 2021: The Board of Management term of Oscar de Bok was extended until September 2027. Frank Appel's term as Chairman of the Board of Management was extended until May 2023. As of 1 July 2022, Tobias Meyer will assume responsibility for Global Business Services. He will be appointed Chairman of the Board of Management on the day after the 2023 Annual General Meeting. Nikola Hagleitner will be appointed as a member of the Board of Management from 1 July 2022 to 30 June 2025. Responsibility for Post & Parcel Germany will be transferred to her.

A presence that spans the globe

Deutsche Post DHL Group's locations can be found in the List of shareholdings. The following description of the divisions shows our market shares and market volumes – where available and useful – in the most important regions.

EXPRESS DIVISION

A global express network



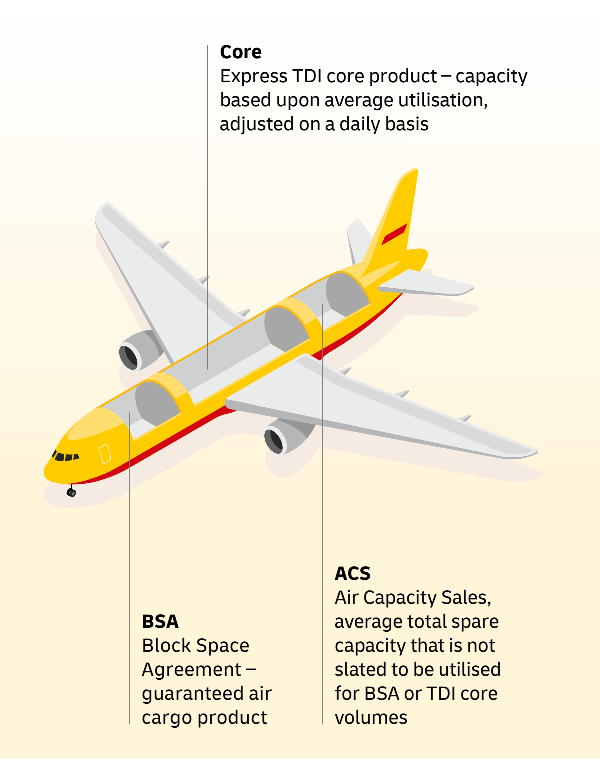
Time-definite international shipments

In the Express division, we transport urgent documents and goods reliably and on time from door to door. International time-definite shipments are our core business. The division's main product is Time Definite International (TDI). Our TDI services enable delivery at predefined times, and our expertise in customs clearance keeps shipments moving as a prerequisite in ensuring fast and reliable door-to-door service. We also provide industry-specific services to round out our TDI product. For example, our Medical Express transport solution, which is tailored specifically to companies in the life sciences and healthcare sector, offers various types of thermal packaging for temperature-controlled, chilled and frozen contents.

Our virtual airline

Our global air freight network is operated by multiple airlines, some of which are wholly owned by the Group. The combination of our own and purchased capacities allows us to respond flexibly to fluctuating demand. The following graphic illustrates how our available freight capacity is organised and offered on the market. Most of the freight capacity is used for TDI, our main product. If any cargo space remains on our own flights, we sell it to customers in the air freight sector. The largest buyer of remaining capacity is the DHL Global Forwarding business unit.

Available capacity



Keeping our customer service promise

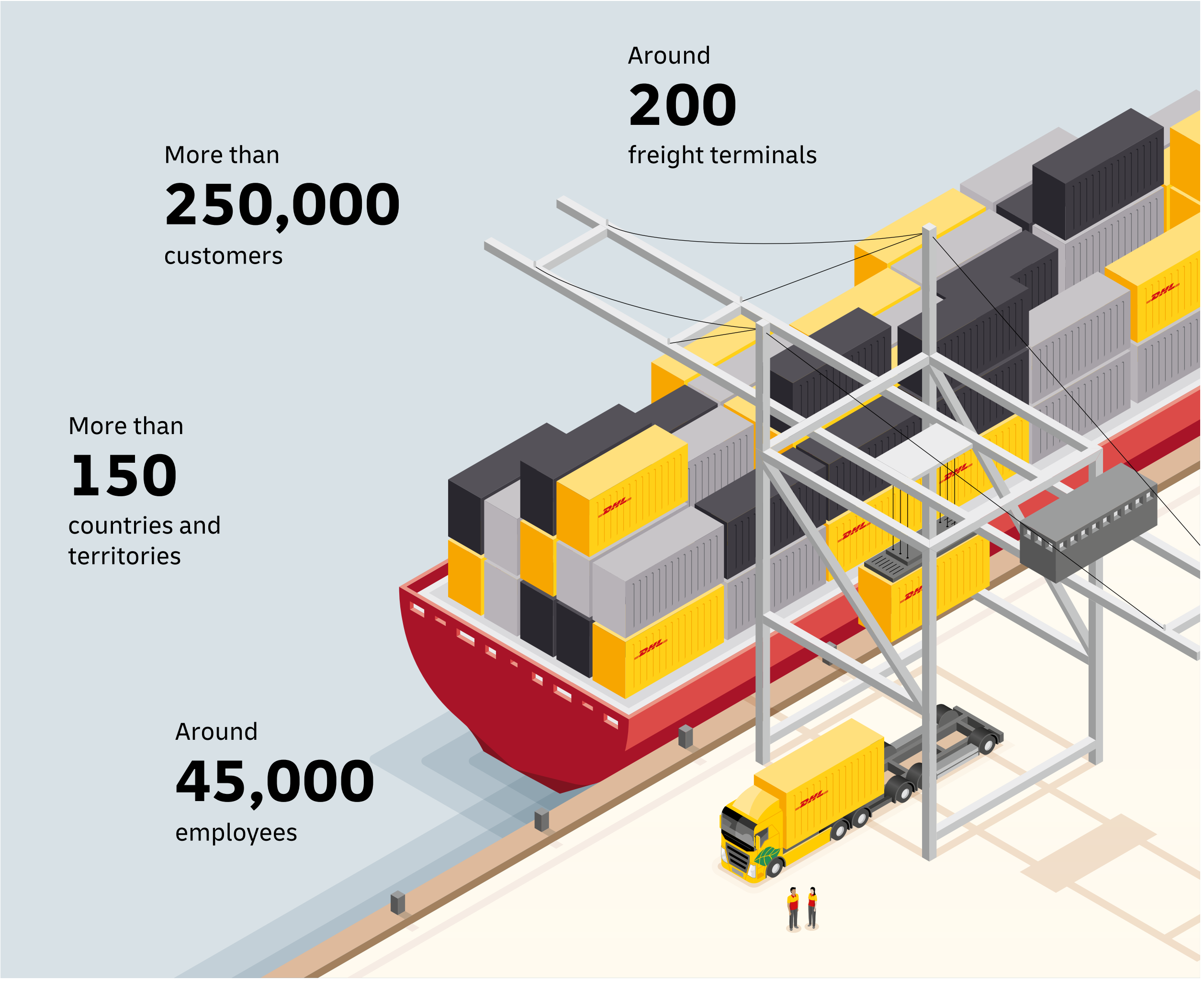
In order to keep our commitments to our customers as a global network operator, we monitor their ever-changing requirements, for example through our Insanely Customer Centric Culture programme and with Net Promoter Scores.

At our quality control centres, we track shipments across the globe and adjust the processes dynamically as required. All premium products are tracked until they are delivered.

We conduct regular reviews of operational safety, compliance with standards and quality of service at our facilities in co-operation with government authorities. Approximately 370 locations have been certified by the Transported Asset Protection Association (TAPA), making us a leader in this area.

GLOBAL FORWARDING, FREIGHT DIVISION

Air, ocean and overland freight



Air, ocean and overland freight forwarding services

Air, ocean and overland freight forwarding services are our core business. They include standardised transports as well as multimodal and sector-specific solutions, together with customised industrial projects and customs services. Our business model is based upon brokering transport services between customers and freight carriers. The global reach of our network allows us to offer efficient routing and multimodal transport options. Compared with the Group's other divisions, our operational business model is asset-light.

Air freight achieved volume growth despite uncertain market conditions

Despite the pandemic in 2021, we achieved noticeable volume growth with around 2.1 million tonnes (previous year: around 1.7 million tonnes) of export air freight transported.

Ocean freight market also reports higher volumes

With around 3.1 million 20-foot container units (previous year: around 2.9 million) transported, we managed to increase the ocean freight volume under the difficult circumstances of 2021.

Air and ocean freight market 2021: relevant volumes

	Asia Pacific	Americas	Middle East/Africa	Europe	Other	Global
Air freight (m tonnes)[1]	11.6	5.5	1.1	6.0	0.9	**25.1**
Ocean freight (m TEUs)[2]	39.3	9.1	5.3	8.4	1.1	**63.2**

[1] Data based solely on export freight tonnes. Source: estimate by Seabury Consulting. [2] Twenty-foot container units; estimated part of overall market controlled by forwarders. Data based solely on export volumes. Source: company estimates, Seabury Consulting.

After considerable downturn, European road transport market once again registers strong growth

Following a difficult 2020, the European road transport market once again registered strong growth in the reporting year. At the same time, a series of challenges arose; amongst those, an imbalance between supply and demand resulted in capacity constraints. However, supported primarily by strong growth in demand, DHL strengthened its position within the very fragmented European road transport market.

Satisfied customers and automated processes

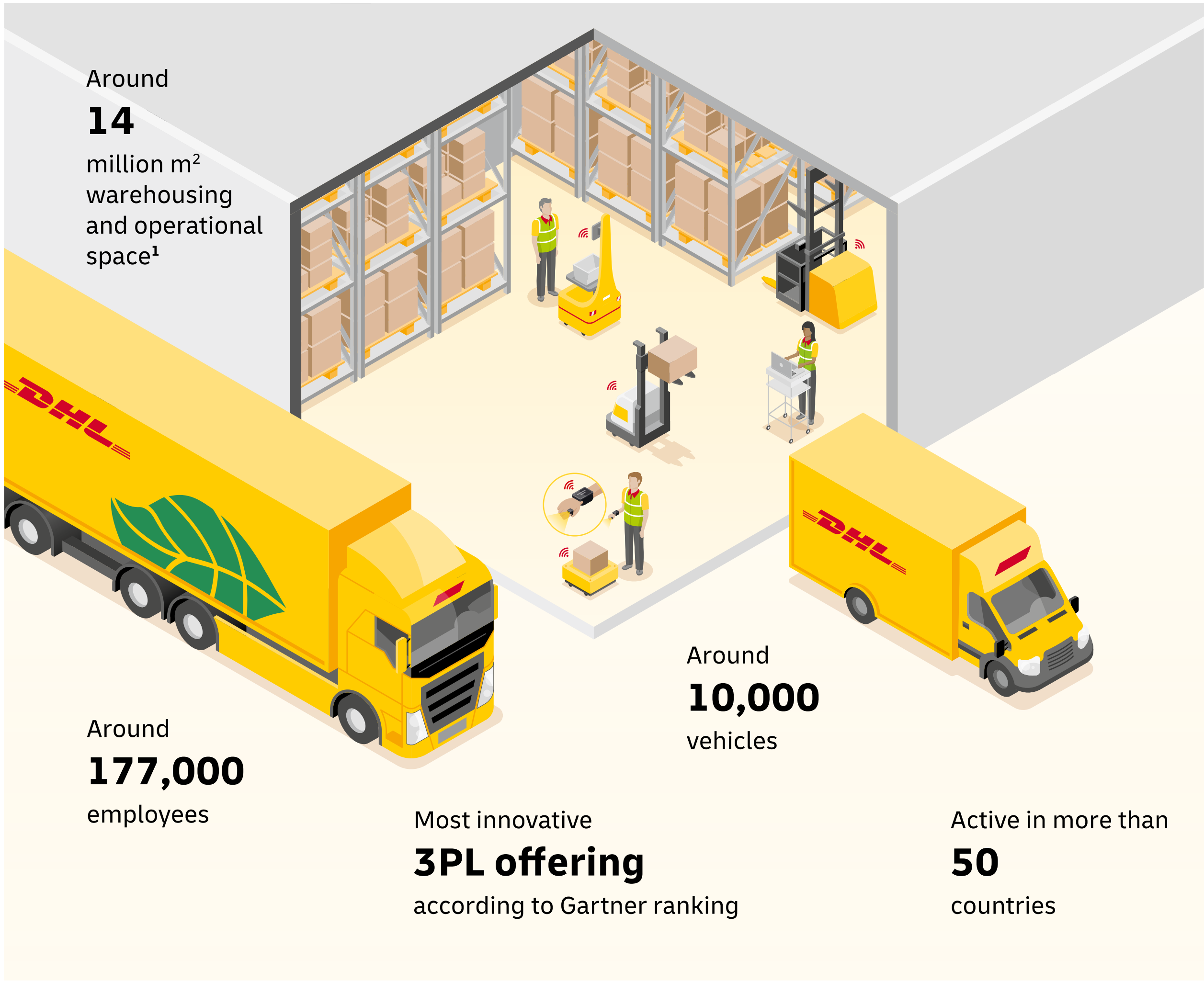
We aim to design our services to be as user-friendly as possible. To do so, we systematically record customer feedback by calculating Net Promoter Scores and conducting annual satisfaction surveys. Based upon the information received, we define initiatives and actions aimed at steadily improving our products and services.

Another key enabler to improve the customer experience is our digitalisation roadmap. The global Transport Management System, whose introduction we concluded in the Global Forwarding business unit during the year under review, was the foundation for further scaling of global applications as well as automated and standardised processes.

We made every effort to push forward with the implementation of our standardised Transport Management System in the Freight business unit as well. Meanwhile, we are continually registering new user groups in our myDHLi portal, which is now available in 14 languages. We are also reaching new segments through sales channels such as Saloodo! – our digital marketplace for road freight – and our online freight portal for customers in Sweden.

SUPPLY CHAIN DIVISION

Solutions that reduce customer supply chain complexity



¹ Includes owned and leased warehouses only and not customer owned facilities operated by DHL.

Tailor-made supply chain solutions

Our core business comprises tailor-made logistics services and supply chain solutions in order to reduce the complexity for our customers and to add value. We offer a broad product portfolio including warehouse operations and transport as well as value-added services such as eFulfillment and returns management, Lead Logistics Partner (LLP), Real Estate Solutions, Service Logistics and packaging solutions for strategic industry sectors. We offer modular solutions that allow our customers' operations to be more agile and more flexible to respond to changed supply chain needs.

Standardisation and use of innovative technologies

We are constantly striving to increase speed and agility along the entire supply chain through modular standardisation and the use of new technologies. State-of-the-art digital solutions are already used at more than 80% of our locations, for example with some 2,000 collaborative robots and some 25,000 smart wearables deployed. In addition, we leverage data analytics to drive operational efficiencies and to enhance the customer experience. We are integrating physical and digital supply chain solutions.

Leading position in contract logistics

The global contract logistics market is estimated at around €215.4 billion for the year 2020. DHL is the global market leader in the fragmented market of contract logistics with a market share of 5.8% (2020) and operations in more than 50 countries. The market share of the second-leading provider is only half as large.

Meeting or exceeding quality expectations

We continuously build upon our position as a quality leader in contract logistics. With the globally consistent operating standards of our "Operations Management System First Choice", we ensure that we either meet or exceed our customers' quality expectations and continuously improve.

Thanks to our systematic follow-up on customer feedback, our satisfaction values (Net Promoter Approach) remain on a consistent high level.

Contract logistics market 2020[1]

€ billion	Asia Pacific	Americas	Middle East/Africa	Europe	Global
Contract logistics	75.9	63.4	7.8	68.3	**215.4**

[1] Company estimate.

ECOMMERCE SOLUTIONS DIVISION

Domestic last-mile parcel delivery and non-TDI cross-border services

More than
20
countries

More than
1.1
billion parcels

More than
70,000
service points

6
dedicated
aircraft

Around
40,000
employees

Around
22,500
vehicles

Domestic and international non-time-definite parcel delivery

Our core business is domestic last-mile parcel delivery in selected countries in Europe, in Asian emerging markets, in the United States and in India and non-TDI cross-border services primarily to, from and within Europe, as well as to, from and within the United States.

The domestic last-mile parcel delivery service is provided via our own and partner networks, serving a mix of B2C and B2B customers across all sectors. Our non-TDI cross-border service provides worldwide shipping solutions to enable our customers to capitalise on strong growth in cross-border trade, whilst meeting their expectations for speed, transparency and quality. The DHL Parcel Connect platform is our delivery and returns solution developed especially for e-commerce in Europe, catering to both B2B and B2C, which simplifies pan-European cross-border shipping with a harmonised label, common IT systems, core features and local services.

Management of the business is centrally organised according to the regions in which we operate.

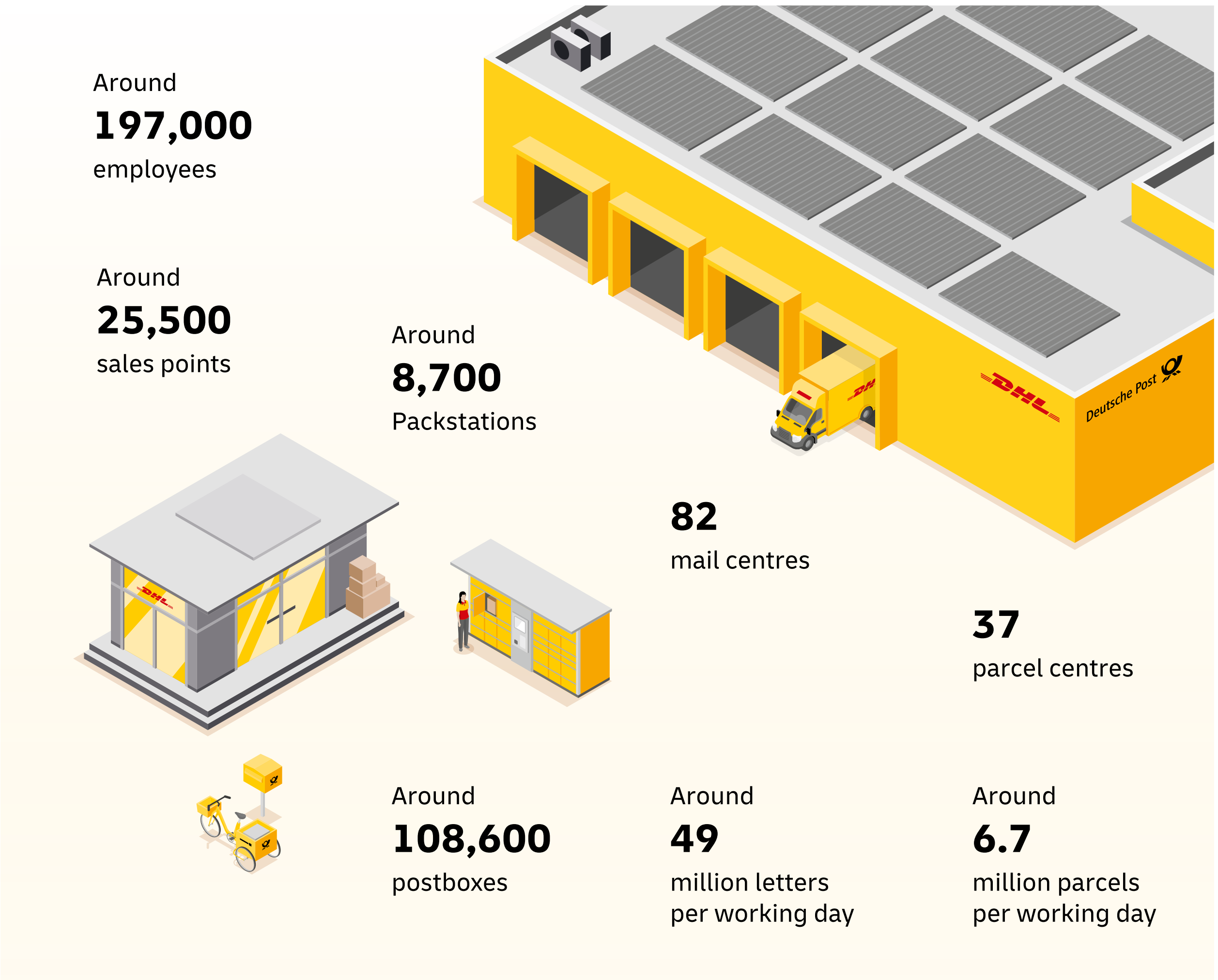
Satisfied customers and high level of delivery reliability

We focus on delivering industry-leading performance as well as quality and service excellence. Even against the background of the pandemic, operational challenges and volume increases, we succeeded in achieving an overall global delivery quality of 95% (previous year: 94%).

Implementation of the Net Promoter Approach is also being prepared for the eCommerce division.

POST & PARCEL GERMANY DIVISION

Nationwide post and parcel network in Germany



The postal service for Germany

As Europe's largest postal company, our core business is the transport, sorting and delivery of documents and goods. We maintain a nationwide post and parcel network in Germany as depicted in the graphic opposite, which we continually expand in consideration of digitalisation and sustainability.

Our products and services in the mail communication segment are targeted towards both private and business customers and range from physical and hybrid letters to special products for the delivery of goods, and include additional services such as registered mail, cash on delivery and insured items. We expanded our range in 2021 with digital products such as stamps with data matrix codes and the introduction of Poststations as an uninterrupted access point for a variety of postal services.

In the year under review, the German market for mail communication for business customers was worth around €4.2 billion (previous year: around €4.3 billion). The structural decline in mail volumes was offset somewhat by the high level of mail-in ballots in the German federal and state elections. We monitor the market in which we compete, including the companies that operate as service providers in this market – i.e. both competitors offering end-to-end services and consolidators providing partial services. Our market share declined slightly to 61.4% compared with the prior year (62.6%).

German mail communication market business customers, 2021

Market volume: around €4.2 billion

Deutsche Post	61.4%
Competition	38.6%

Source: company estimates.

Cross-channel dialogue

On request, our Dialogue Marketing unit offers end-to-end solutions to advertisers – from address services and tools for design and creation to printing, delivery and evaluation. This supports cross-channel, personalised and automated dialogue so that digital and physical items with interrelated content are delivered according to a co-ordinated timetable and without any coverage waste.

The advertising market in Germany grew by 5.9% in 2021 to come in at €28.1 billion after the largely pandemic-related decline in the previous year. Due to an expansion of market data, primarily relating to online activities, those reported here diverge from the presentation in the previous year. Our share of the highly fragmented advertising market declined slightly to 6.0% (previous year, adjusted: 6.4%).

German advertising market[1], 2021

Market volume[2]: €28.1 billion

Competition	94.0%
Deutsche Post	6.0%

[1] Includes all advertising media with external distribution costs; the placement costs are shown as ratios.
[2] Based on expanded market data, primarily relating to online activities.

Source: company estimates.

DHL Parcel for companies and private individuals

We maintain a dense network of parcel acceptance and drop-off points in Germany, which we expanded in the reporting year.

We offer support to businesses to grow their online retail business. Along with the Supply Chain division, we are able to cover the entire logistics chain through to returns management on request.

Various services enable individualised and convenient parcel delivery for private customers: parcels can be delivered to an alternative address, a specific retail outlet or a Paketshop at short notice. Furthermore, registered customers can now have all items sent automatically to a Packstation or selected retail outlet.

The German parcel market continues to be subject to competition-driven structural changes, with established as well as new companies are offering their services. In e-commerce, the delivery of a portion of shipments is handled by the merchant's own distribution networks.

We will increase the number of Packstations to 15,000 by 2023 to make it even more convenient for customers all over Germany to send and receive parcels and to create an environmentally friendly, traffic-reduced parcel delivery system.

Fast and reliable delivery

According to surveys conducted by Quotas, a quality research institute, around 88% of all domestic letters posted in Germany during daily opening hours at our retail outlets or before final collection were delivered the very next day in the year under review. Around 98% were delivered within two days. This puts us well above the legally required levels of 80% (D+1) and 95% (D+2).

In the parcel business, around 79% of items were delivered the next working day in the year under review. This reflects parcels collected from business customers that were delivered on the following day. These figures can be deemed very positive in light of the highly demanding operational situation caused by the pandemic and growing number of online orders.

Our approximately 25,500 sales points were open for an average of 55 hours per week in the year under review, as was the case in the previous year. Consumers who use the products and services offered by Deutsche Post retail outlets primarily operated mostly by retailers are surveyed annually regarding customer satisfaction by "Kundenmonitor Deutschland". This study attested to the high level of approval enjoyed by Deutsche Post retail outlets: a total of 94.5% of the persons surveyed were satisfied with quality and service (previous year: 94.6%). In addition, customers gave our sales points an average rating of 4.31 out of 5 stars in the Deutsche Post location finder (previous year: 4.39). The fixed-location acceptance and sales network has grown to around 34,000 sites (previous year: 32,000) thanks to the expansion of our Packstation network.

Strategy

Navigating safely through a volatile, fast-changing environment

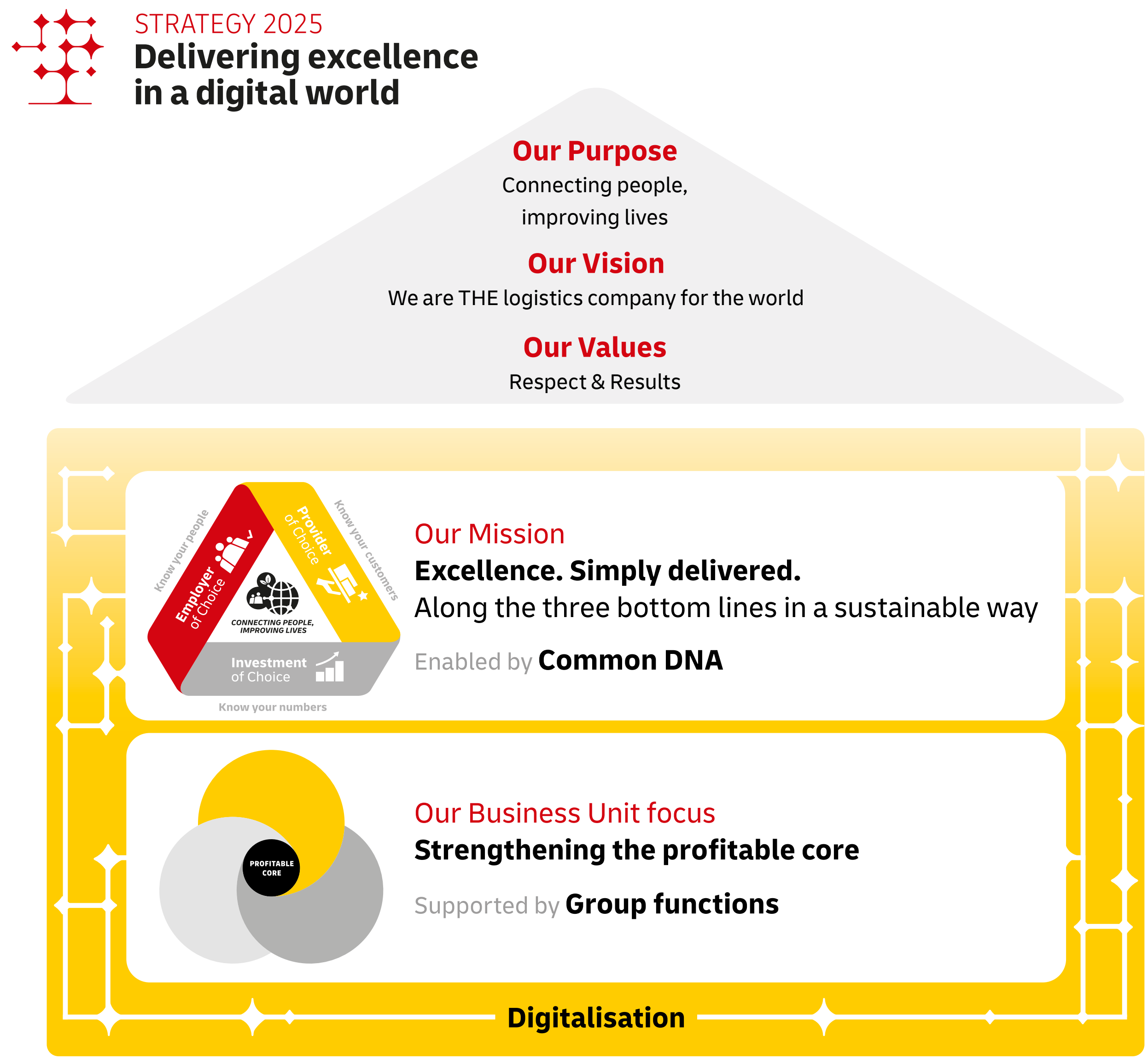
We announced Strategy 2025 in October 2019. It draws on the successful elements of Strategy 2015 and 2020, which established us as the world's leading logistics company. Building on this strong foundation, Strategy 2025 helps us to cement and grow that leading position as the pace of change in the world around us accelerates.

We defined our strategic goals in a comprehensive process in which we worked with relevant stakeholders including employees, customers, suppliers and investors. Our Strategy House illustrates the most important elements of our strategy and how they are connected.

Strategy 2025 navigated us safely through the volatile, fast-changing environment brought about by the global pandemic. As part of a yearly assessment, we undertook a detailed review of our corporate strategy and found it not only to be fundamentally sound, but that it had also made Deutsche Post DHL Group more resilient in the face of the pandemic. That resilience is the result of disciplined and consistent execution of our Group strategy, with each and every element playing a key role.

Strategic triad of purpose, vision and values

Our purpose of "Connecting people, improving lives" has never been more important than it is today. In keeping with our vision of being THE logistics company for the world, Deutsche Post DHL Group strives to continue leading the industry – and doing so in an increasingly digital and sustainability-oriented world. Our core values "Respect and Results" are just as much a part of our strategy today as they have been in the past.



The triad of purpose, vision and values underpins the three building blocks of Strategy 2025 – sustained execution excellence along the three bottom lines, becoming an employer, provider and investment of choice, a focus on our profitable core business and digital transformation. We have also cemented sustainability into every part of our business strategy through purpose and our own values. Respect and Results mean that we are committed to each other and together make a positive social contribution. Our purpose "Connecting people, improving lives" guides our efforts and sense of responsibility.

Execution excellence along the three bottom lines

Our mission "Excellence. Simply delivered." is defined by the three bottom lines. We believe having motivated and skilled employees is the key to providing excellent service quality and achieving profitable growth.

At Deutsche Post DHL Group, when we speak of our common DNA we mean the set of behaviours, tools and programmes that we put into practice throughout the Group. Group-wide programmes such as Certified, First Choice and Safety First play an important part in building the common DNA by influencing what we do on a day-to-day basis. Irrespective of division, geographical region or function, our common DNA is an expression of who we are and how we do things at Deutsche Post DHL Group.

As an integral part of our strategy, sustainability is anchored along our three bottom lines. New policies and regulations across industries, increasingly changing buying habits and the growing focus on sustainable investments have motivated us to serve as a sustainability role model in our industry and to set ourselves ambitious targets. We therefore made sustainability a cornerstone of our Strategy 2025 and an essential element of our mission.

With our ESG roadmap, we build on our past achievements and plot a course for future success. The roadmap will serve as guidance in the three areas of environment, social responsibility and corporate governance. Clear objectives were set for each of these areas. We strive for environmentally friendly logistics and aim to be a great place to work for all and a trustworthy company and partner.

We set transparent, time-bound targets and KPIs that enable us to make sustainability an integral component in the yearly planning and strategic cycle, with targets integrated into our decision-making process. One key target is to increase the pace of our company's planned decarbonisation, Non-financial statement.

Divisions focus on profitable core business

Our divisions continue to focus relentlessly on their profitable core. In so doing, they ensure that our services and solutions can be provided reliably, even in unusual circumstances.

Digital transformation as a key lever

Representing a significant lever for sustainable business growth, digital transformation plays a crucial role in our strategy. We therefore invest in initiatives designed to improve the experiences our customers and employees have with the company and to increase operational efficiency. Our digitalisation framework has two elements. We are upgrading the IT infrastructure and utilising new technologies throughout the Group. At the same time, we are scaling business models that augment our core. From 2019 to 2025, our digital transformation spending is expected to reach around €2 billion and to contribute at least €1.5 billion annually to earnings by 2025.

In our divisions, we have several initiatives and programmes in place to upgrade the IT backbone, ensure our future agility and increase IT efficiency. In our Centres of Excellence, we have combined technologies and expertise, e.g. in the areas of automation and robotics, data science, API, blockchain and the Internet of Things. They are allowing us to foster and build up in-house know-how and scale digital solutions across the divisions.

Research and development

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

Steering metrics

Financial and non-financial key performance indicators

Deutsche Post DHL Group uses both financial and non-financial performance indicators in its management of the Group. The monthly, quarterly and annual changes in these indicators are compared with prior-year data and forecast data to assist in making management decisions. The year-to-year changes in the financial and non-financial performance indicators described here also play an important role in the calculation of management remuneration. The Group's financial performance indicators are intended to preserve a balance between profitability, the efficient use of resources and adequate liquidity. How these metrics are computed is illustrated in the Calculations graphic. Their performance in the reporting year is described in the Report on economic position and in the Non-financial statement.

Additional metrics that we will report beginning in 2022 are described and forecast in the Expected developments, opportunities and risks section.

EBIT and EAC (EBIT after asset charge)

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

EBIT after asset charge (EAC) is another key performance indicator used by the Group. EAC is calculated by subtracting the asset charge, a cost-of-capital component, from EBIT. Making the asset charge a part of business decisions encourages the efficient use of resources and ensures that our operational business is geared towards increasing value sustainably whilst improving cash flow.

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

A standard WACC of 8.5% is applied across the divisions. That figure also represents the minimum target for projects and investments within the Group. The WACC is generally reviewed once annually on the basis of the current situation on the financial markets. To ensure better comparability of the asset charge with previous figures, in 2021 the WACC used here was maintained at a constant level compared with the previous years.

The asset charge is calculated each month so that fluctuations in the net asset base can also be taken into account during the year. The Calculations graphic shows the composition of the Group's net asset base.

Free cash flow facilitates liquidity management

Along with EBIT and EAC, cash flow is another key performance metric used by Group management. The goal is to maintain sufficient liquidity to cover all of the Group's financial obligations from debt repayment and dividends, in addition to meeting payment commitments arising from the Group's operations and investments. Cash flow is calculated using the cash flow statement.

Operating cash flow (OCF) includes all items that are related directly to operating value creation. Another key parameter impacting OCF is net working capital. Effective management of net working capital is an important way for the Group to improve cash flow in the short to medium term.

Free cash flow (FCF) is a management indicator derived from OCF. It is used as an indicator of how much cash is available to the company for paying out dividends or repaying debt at the end of a reporting period.

Managing greenhouse gas emissions and improving efficiency

We aim to reduce the greenhouse gas (GHG) emissions produced by us and our transportation subcontractors as well as our dependency on fossil fuels in order to mitigate our impact on the global climate, improve greenhouse gas efficiency and cut costs.

The Carbon Efficiency Index (CEX) was the key performance indicator we used to measure GHG efficiency in the reporting period. This metric is based on business-unit-specific emissions intensity figures that are indexed to the base year. The calculation methodology is based on recognised international standards such as the Greenhouse Gas Protocol, DIN EN 16258 and the Global Logistics Emissions Council Framework. The CEX reflects GHG emissions excluding those from the upstream chain (tank-to-wheel emissions), while we expanded GHG emissions reporting to include the upstream emissions arising from fuel production (well-to-wheel emissions) in the reporting period.

Employee engagement as a factor for success

Motivated and committed employees contribute to the success of the company. In the annual Group-wide survey, each employee has the opportunity to anonymously rate the company's strategy and values as well as its working conditions. We derive the Employee Engagement key performance indicator from these results.

Calculations

Revenue
+ Other operating income
± Changes in inventories and work performed and capitalised
− Materials expense
− Staff costs
− Depreciation, amortisation and impairment losses
− Other operating expenses
± Net income/loss from investments accounted for using the equity method

= **EBIT**
Profit from operating activities

EBIT
− Asset charge

  = Net asset base
  × Weighted average cost of capital (WACC)

= **EAC**
EBIT after asset charge

Operating assets

- Intangible assets
- Property, plant and equipment
- Goodwill
- Trade receivables (included in net working capital)[1]
- Other non-current operating assets[2]

− Operating liabilities

- Operating provisions (excluding provisions for pensions and similar obligations)
- Trade payables (included in net working capital)[1]
- Other non-current operating liabilities[2]

= **Net asset base**

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

= **FCF**
Free cash flow

[1] Includes EBIT-related current assets and liabilities. Not included are assets and liabilities related to taxes, financing and cash and cash equivalents, for example.
[2] Includes EBIT-related other non-current assets and liabilities. Not included are assets and liabilities related to taxes or bonds, for example.

REPORT ON ECONOMIC POSITION

Forecast/actual comparison

Targets for 2021

EBIT[1]

- Group: more than €7.7 billion
- DHL divisions: more than €6.4 billion
- Post & Parcel Germany division: €1.7 billion to €1.8 billion
- Group Functions: around €–0.4 billion

EAC

- Projected to develop in line with EBIT and increase

Cash flow[1]

- Free cash flow amounts to more than €3.6 billion

Capital expenditure (capex)[1]

- Investment spending (excluding leasing): around €3.9 billion

Dividend distribution

- Dividend payout of 40% to 60% of net profit

Greenhouse gas efficiency

- CEX projected to increase by one index point
- KPI and targets will be reviewed as part of the ESG roadmap[2]

Employee Opinion Survey

- Employee Engagement approval rate of more than 80%

Results for 2021

EBIT

- Group: €8.0 billion
- DHL divisions: €6.6 billion
- Post & Parcel Germany division: €1.7 billion
- Group Functions: €–0.4 billion

EAC

- Rose in line with EBIT and increased to €5.2 billion

Cash flow

- Free cash flow amounts to €4.1 billion

Capital expenditure (capex)

- Investment spending (excluding leases): €3.9 billion

Dividend distribution

- To be proposed: dividend payout of 42.9% of adjusted net profit

Greenhouse gas efficiency

- CEX drops one index point to 36 index points
- New metric Realised Decarbonisation Effects replaces CEX beginning in 2022

Employee Opinion Survey

- Employee Engagement approval rate at 84%

Targets for 2022

EBIT

- Group: around €8.0 billion +/– max. of 5%
- DHL divisions: around €7.0 billion +/– max. of 4%
- Post & Parcel Germany division: around €1.5 billion +/– max. of 10%
- Group Functions: around €–0.45 billion

EAC

- Slight decline if asset charge increases as forecast

Cash flow

- Free cash flow[3] amounts to around €3.6 billion +/– max. of 5%

Capital expenditure (capex)

- Investment spending (excluding leases): around €4.2 billion

Dividend distribution

- Dividend payout of 40% to 60% of net profit

Greenhouse gas emissions

- Realised Decarbonisation Effects[4]: 969 kilotonnes of CO_2e

Employee Engagement

- Employee Engagement approval rate of more than 80%

Women in executive positions

- Share of women in middle and upper management[4] rises to 25.9%

Lost time injury frequency rate (LTIFR)

- LTIFR per 200,000 working hours[4] decreases to 3.7

Compliance-relevant training

- Share of valid training certificates in middle and upper management[4] is at least 97%

[1] Forecast adjusted several times during the year. [2] Strategy. [3] Calculation does not include the purchase price payment for Hillebrand. [4] New performance indicator to be used for managing the Group, Expected developments, opportunities and risks.

Overall assessment

In the 2021 financial year, global trade overall once again took off, resulting in increased shipments. All divisions of Deutsche Post DHL Group managed to increase revenue, profits and margins – considerably in some cases. In total, Group EBIT came to €8.0 billion and exceeded the most recent forecast figure of more than €7.7 billion. With investments of €3.9 billion, we are continuing the expansion of our infrastructure and strengthening its future viability. Free cash flow of €4.1 billion once again underscores our solid financial foundation and our potential to continue profitable growth in the future.

Economic parameters

The following figures describing the economic parameters are based on information from IHS Markit.

Noticeable global economic growth despite further pandemic waves

In 2021, the global economy trended toward recovery from the shock of the COVID-19 pandemic, but fought off setbacks in view of further pandemic waves and the utilisation of intercontinental transport capacities. After a dive in the previous year caused by the pandemic, the gross domestic product (GDP) overall saw positive development worldwide. Average annual GDP rose approximately 5.1% (previous year: –4.5%) in the industrial countries and around 6.7% (previous year: –1.5%) in the emerging markets. This development was given additional impetus by accelerated growth in all major economic areas. GDP was up 5.7% (previous year: –3.4%) in the United States, saw a robust increase of 8.1% (previous year: 2.3%) in China and grew by 5.3% (previous year: –6.4%) in the eurozone. Germany's GDP was up 2.8% in 2021 after declining 4.9% in the previous year.

Upswing receives support from revival of global commodity flow

Global economic output, which is key to logistics and had been rising by an average of 3.1% per year for the past decade, fell 3.4% in 2020 and then gained 5.7% in 2021. For Deutsche Post DHL Group, this recovery in industrial demand had a mainly positive impact on the revenue and earnings trends of the DHL divisions. The worldwide upswing was, in fact, further supported by a revival in the global commodity flow: The IMF's World Economic Outlook for January forecast an increase of 9.3% in world trade volume in US dollars based on an assumption of constant real effective exchange rates after –8.2% in the previous year. Growth was held back by a lack of free market capacity for transport services. At the same time, this led to a significant rise in air, ocean and road freight rates.

One of the reasons for the lack of free transport capacity was strong demand for all types of consumer goods in the United States. Simultaneous bottlenecks at ports meant that ocean-going fleets worldwide could no longer be deployed efficiently. This shortage of ocean freight capacity in turn caused an upturn in demand for air cargo space. As in the previous year, the available supply here was limited as well, because less cargo capacity was available in passenger planes on account of the pandemic.

The intersection of the limited ability to expand supply due to the utilisation of intercontinental transport capacities and demand catching up – sometimes by leaps and bounds – caused inflation to rise to levels not seen in decades in some countries. The sharp rise in energy prices, particularly for natural gas and crude oil, was a major factor in this regard.

Sustained growth in e-commerce

Continued strong consumer spending in the United States additionally reflects the accelerated penetration of the market by e-commerce thanks to the pandemic, a trend also observed in most other markets around the globe. In 2020, initial pandemic-related social distancing measures triggered strong acceleration of structural growth in online purchasing. This growth rate continued to exceed the structural trend again in the first six months of 2021. In the second half of 2021, e-commerce-based volumes stabilised at the high level of the previous year and therefore underscored the sustained growth brought about by the pandemic.

Legal environment

In view of our leading market position, many of our services are subject to sector-specific regulation under the *Postgesetz* (PostG – German Postal Act). Further information regarding this issue and legal risks is contained in **note 45 to the consolidated financial statements.**

Significant events

In recognition of their achievements during the pandemic, we paid our employees a special bonus of €300 each, as in the previous year. The total amount of €165 million is contained in staff costs.

In keeping with our financial strategy, we bought back shares with a total value of €1 billion during the reporting year.

In August, Deutsche Post DHL Group signed an agreement to fully acquire J.F. Hillebrand Group AG for approximately €1.5 billion. This acquisition serves to accelerate expansion in the dynamic ocean freight forwarding market.

Results of operations

Portfolio unchanged

There were no material changes in our portfolio in the reporting year.

Consolidated revenue up 22.5%

In the 2021 financial year, consolidated revenue rose from €66,716 million to €81,747 million, reduced by currency effects in the amount of €301 million. The proportion of revenue generated abroad increased from 70.3% to 73.6%. In the fourth quarter of 2021, revenue increased by 22.4% to €23,378 million, supported by positive currency effects in the amount of €451 million.

Other operating income increased by €196 million to €2,291 million.

Increase in materials expense

Materials expense increased from €33,704 million to €43,897 million, driven primarily by higher transport costs in the Global Forwarding, Freight division, as well as increased fuel costs in the Express division. Staff costs increased by €1,645 million to €23,879 million, due primarily to the increase in the number of employees. By contrast, depreciation, amortisation and impairment losses decreased by €62 million to €3,768 million. In the previous year there were impairment losses necessary in the Supply Chain division due to, amongst other factors, lockdown measures. Amongst others, expenses for advertising – for example for our global brand campaign – increased other operating expenses by €442 million to €4,896 million.

Consolidated EBIT up 64.6%

Totalling €7,978 million in the year under review, profit from operating activities (EBIT) came in €3,131 million higher and thus well above the prior-year figure (€4,847 million). In the fourth quarter this figure increased from €1,966 million to €2,213 million. Net finance costs improved from €–676 million to €–619 million. Positive effects on the interest expense resulted from changes in the discount rate for non-current provisions. Profit before income taxes improved significantly by €3,188 million to €7,359 million. Income taxes increased by €941 million to €1,936 million also due to an increased tax rate.

Sharp improvement in consolidated net profit

Consolidated net profit showed a sharp improvement in the 2021 financial year, rising from €3,176 million to €5,423 million. Of this amount, €5,053 million is attributable to Deutsche Post AG shareholders and €370 million to non-controlling interest shareholders. Basic earnings per share also rose from €2.41 to €4.10 and diluted earnings per share from €2.36 to €4.01.

Selected indicators for results of operations

		2020	2021	Q4 2020	Q4 2021
Revenue[1]	€m	66,716	81,747	19,093	23,378
Profit from operating activities (EBIT)	€m	4,847	7,978	1,966	2,213
Return on sales[2]	%	7.3	9.8	10.3	9.5
EBIT after asset charge (EAC)	€m	2,199	5,186	1,310	1,488
Consolidated net profit for the period[3]	€m	2,979	5,053	1,302	1,484
Earnings per share[4]	€	2.41	4.10	1.05	1.21
Dividend per share	€	1.35	1.80[5]	–	–

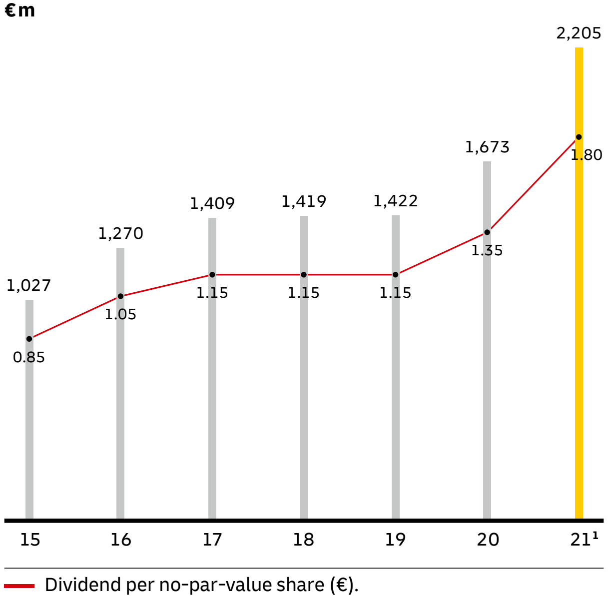
[1] Adjusted prior-year figures, note 4 to the consolidated financial statements. [2] EBIT/revenue. [3] After deduction of non-controlling interests. [4] Basic earnings per share. [5] Proposal.

Dividend of €1.80 per share proposed

Our finance strategy calls for paying out 40% to 60% of net profits as dividends as a general rule. The Board of Management and the Supervisory Board will therefore propose to the shareholders at the Annual General Meeting on 6 May 2022 a dividend of €1.80 per share for the 2021 financial year (previous year: €1.35). The payout ratio in relation to the consolidated net profit attributable to Deutsche Post AG shareholders amounts to 43.6%. Adjusted for significant one-off effects, the payout ratio is 42.9%. The net dividend yield based on the year-end closing price for our shares is 3.2%. The dividend will be disbursed on 11 May 2022.

Total dividend and dividend per no-par-value share

€m



[1] Proposal.

EBIT after asset charge (EAC) grows significantly

EAC improved significantly in 2021, rising from €2,199 million to €5,186 million. Whilst EBIT was up considerably, the imputed asset charge rose only moderately.

EBIT after asset charge (EAC)

€m

	2020	2021	+/–%
EBIT	4,847	7,978	64.6
– Asset charge	–2,648	–2,792	–5.4
= **EAC**	**2,199**	**5,186**	**>100**

The net asset base increased by €3,557 million to €34,493 million as at the reporting date. Intangible assets and property, plant and equipment increased, mainly on account of the acquisition of freight aircraft and investments in warehouses, sorting facilities and the vehicle fleet. Net working capital also rose over the previous year.

Operating provisions were up year-on-year, as were other non-current assets and liabilities.

Net asset base (consolidated)[1]

€m

	31 Dec. 2020	31 Dec. 2021	+/–%
Intangible assets and property, plant and equipment	33,673	36,996	9.9
± Net working capital	–505	–162	67.9
– Operating provisions (excluding provisions for pensions and similar obligations)	–2,267	–2,472	9.0
± Other non-current assets and liabilities	35	131	>100
= **Net asset base**	**30,936**	**34,493**	**11.5**

[1] Assets and liabilities as described in the segment reporting, note 10 to the consolidated financial statements.

Divisions

EXPRESS

Continuing to expand and modernise network and intercontinental fleet

In 2018, we contracted with Boeing to purchase 14 new B777F aircraft as part of the upgrading of our intercontinental fleet. By the end of 2021, all of the new aircraft ordered were delivered and entered service. In 2020, we placed an order with Boeing for an additional eight new B777 freighters; four of these aircraft are scheduled for delivery during 2022.

In Europe, all critical hubs have optimally utilised their capacities. Brexit and VAT22 transitions were successful. One important event was the opening of the new hub at Paris Charles de Gaulle Airport. During 2021, two Airbus A321 conversions and two A330-300 conversions entered service. We have also committed to seven B737-800 aircraft which will be delivered during 2022. Moreover, we founded the new company DHL Air Austria as our second European airline, along with European Air Transport Leipzig.

Major projects in the Americas region include the expansion of our hub at Miami International Airport and of our gateway at Ontario International Airport. In the US, three additional converted Boeing B737-800 aircraft entered service. In Latin America, a converted Boeing B767-300 was introduced. In addition, dedicated flights from Miami to Santiago de Chile were introduced. We are expanding our retail footprint, adding 56 new retail service points and more than 700 retail partners.

In the Asia-Pacific region, we added several new intercontinental connections, whilst also expanding our air freight capacity to keep pace with the strong intra-Asia trade. Of the three previously acquired Airbus A330-300 aircraft for conversion, the third unit entered service in early 2021. Another two converted aircraft of this model are planned for delivery during 2022. The additional aircraft enabled the introduction of a direct flight between Hong Kong (HKG) and Penang (PEN). In October, we opened the expanded Bengaluru Gateway in India.

Also in the MEA region, we are accelerating our regional ground and air investments, with new facilities in Qatar, Bahrain and the United Arab Emirates. Furthermore, we acquired seven B767-300 aircraft for conversion, of which six entered service in 2021. The additional delivery is planned for the start of 2022. With these extensions, daily network flights have been added between Bahrain (BAH), Hong Kong (HKG) and Bangalore (BLR). In sub-Saharan Africa, we committed to four converted ATR72-500 aircraft with the intention these will replace existing older aircraft.

Impacts of the pandemic on our business

The pandemic had a direct impact on demand for our network capacity, as it accelerated online sales growth. In almost all regions, the shipping volumes of the B2B and B2C e-commerce sectors increased considerably and exceeded expectations. The drastic increase in shipment weights due to the recovery of B2B was also significant. At the same time, the pandemic seriously impacted the supply of air cargo capacity; particularly passenger airlines were impacted, with many flights cancelled and aircraft grounded. Our ability to purchase cargo capacity on commercial flights was curtailed – and, for some lanes, this impact has continued through 2021. To address the increased demand and protect service to destinations to which commercial flight services were reduced or suspended, we have adapted our air network operations by adding more of our own dedicated flights.

During 2021, we expanded our air network with the addition of several new direct services, for example, between East Midlands (EMA) and Miami (MIA), Hong Kong (HKG) and Miami (MIA), Singapore (SIN) and Melbourne (MEL) and Shenzhen (SZX) and Los Angeles (LAX). In addition, we have introduced the first direct flight from Guangzhou (CAN) to the Americas.

International business posts strong revenue growth

Revenue in the division increased by 26.6% in the year under review to €24,217 million. This includes negative currency effects of €157 million. Excluding these effects, the increase in revenue was 27.4%. The revenue figure also reflects the fact that fuel surcharges were higher than in the previous year in all regions. Excluding currency effects and fuel surcharges, revenue was up by 22.9%. Per-day revenues and shipment volumes were up in both our Time Definite International (TDI) and our Time Definite Domestic (TDD) product lines in the reporting year.

Revenue in the Europe region increased by 25.7% to €10,193 million in the reporting year, including negative currency effects of €10 million, without which year-on-year revenue growth was 25.8%. In the TDI product line, per-day revenue increased by 29.8% and per-day shipment volumes by 12.4%. In the fourth quarter of 2021, international revenues per day were up by 20.1% and per-day shipment volumes by 0.3%.

Key figures, Express

€m	2020	2021	+/–%	Q4 2020	Q4 2021	+/–%
Revenue	19,135	24,217	26.6	5,599	6,856	22.5
of which Europe	8,110	10,193	25.7	2,424	2,863	18.1
Americas	3,971	5,120	28.9	1,152	1,464	27.1
Asia Pacific	7,139	8,871	24.3	2,046	2,560	25.1
MEA (Middle East and Africa)	1,257	1,361	8.3	348	364	4.6
Consolidation/Other	–1,342	–1,328	1.0	–371	–395	–6.5
Profit from operating activities (EBIT)	2,751	4,220	53.4	1,040	1,111	6.8
Return on sales (%)[1]	14.4	17.4	–	18.6	16.2	–
Operating cash flow	4,382	5,894	34.5	1,381	1,331	–3.6

[1] EBIT/revenue.

Express: revenue by product

€m per day[1]	2020	2021	+/–%	Q4 2020	Q4 2021	+/–%
Time Definite International (TDI)	57.3	73.6	28.4	68.5	83.0	21.2
Time Definite Domestic (TDD)	5.0	5.8	16.0	6.0	6.3	5.0

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

Express: volume by product

Items per day (thousands)	2020	2021	+/–%	Q4 2020	Q4 2021	+/–%
Time Definite International (TDI)	1,097	1,210	10.3	1,289	1,281	–0.6
Time Definite Domestic (TDD)	615	645	4.9	716	671	–6.3

Revenue in the Americas region rose by 28.9% to €5,120 million in 2021. Excluding negative currency effects of €89 million, revenue rose by 31.2%. Per-day TDI volumes were up 18.8% compared with the previous year. Per-day TDI revenues grew by 38.5%. In the fourth quarter of 2021, shipment volumes improved by 5.3% and per-day international revenues rose 30.3%.

In the Asia Pacific region, revenue improved by 24.3% to €8,871 million in the reporting year. The revenue figure includes foreign currency gains of €13 million. Revenue growth excluding currency effects was 24.1%. In the TDI product line, revenue per day increased by 25.1% and per-day volumes by 6.2%. Changes in the fourth quarter of 2021 came to 20.9% for revenues per day and –2.1% for per-day volumes.

Revenue in the MEA (Middle East and Africa) region improved by 8.3% to €1,361 million in the reporting period. Excluding negative currency effects of €32 million, revenue rose by 10.8%. Per-day TDI revenues increased by 17.4% and per-day volumes decreased by 1.0%. Changes in the fourth quarter of 2021 came to 6.1% for revenues per day and –15.7% for per-day volumes.

EBIT up sharply year-on-year

Division EBIT climbed 53.4% in 2021 to €4,220 million. Return on sales increased from 14.4% to 17.4%. The special bonus once again paid out amounted to €37 million. Fourth-quarter EBIT was up by 6.8% to €1,111 million.

GLOBAL FORWARDING, FREIGHT

Key figures, Global Forwarding, Freight

€m	2020 adjusted[1]	2021	+/– %	Q4 2020 adjusted[1]	Q4 2021	+/– %
Revenue	15,813	22,833	44.4	4,365	7,134	63.4
of which Global Forwarding	11,579	18,108	56.4	3,212	5,894	83.5
Freight	4,345	4,848	11.6	1,181	1,270	7.5
Consolidation/Other	–111	–123	–10.8	–28	–30	–7.1
Profit from operating activities (EBIT)	592	1,303	>100	173	403	>100
Return on sales (%)[2]	3.7	5.7	–	4.0	5.6	–
Operating cash flow	665	1,008	51.6	259	622	>100

[1] Prior-year figures adjusted due to reclassifications.
[2] EBIT/revenue.

Global Forwarding: revenue

€m	2020 adjusted[1]	2021	+/– %	Q4 2020 adjusted[1]	Q4 2021	+/– %
Air freight	6,137	8,788	43.2	1,770	2,848	60.9
Ocean freight	3,502	7,115	>100	949	2,456	>100
Other	1,940	2,205	13.7	493	590	19.7
Total	**11,579**	**18,108**	**56.4**	**3,212**	**5,894**	**83.5**

[1] Prior-year figures adjusted due to reclassifications.

Global Forwarding: volumes

Thousands		2020 adjusted[1]	2021	+/– %	Q4 2020 adjusted[1]	Q4 2021	+/– %
Air freight exports	tonnes	1,667	2,096	25.7	478	561	17.4
Ocean freight	TEU[2]	2,891	3,142	8.7	771	802	4.0

[1] Prior-year figures adjusted due to reclassifications.
[2] Twenty-foot equivalent units.

Impacts of the pandemic on our business

The global forwarding market was still highly affected by the COVID-19 pandemic in 2021. Strong demand for goods drove the volume recovery whilst capacity shortages and infrastructure problems in both air and ocean freight caused freight rates to increase, at times considerably.

Seabury Consulting forecasts an increase in total tonnes flown worldwide of 18.4% for 2021.

The ocean freight market also registered an upturn in volumes, though to differing degrees depending on the region. Vessel capacity shortages, overstretched ports or those closed due to pandemic outbreaks, along with the blockage of the Suez Canal, resulted in congestion.

Similar to air and ocean freight, the European road transport market also experienced an extraordinary and challenging year in 2021. With COVID lockdowns easing and vaccination attempts rising, economic growth recovered and demand increased significantly. Combined with significantly altered market structures and shortage in important raw materials, this caused tremendous capacity constraints.

Positive revenue trend

Revenue in the division increased by 44.4% in the year under review to €22,833 million. Excluding negative currency effects of €84 million, revenue was up 44.9% year-on-year. In the fourth quarter of 2021, revenue amounted to €7,134 million and exceeded the prior-year figure by 63.4%. In the Global Forwarding business unit, revenue increased by 56.4% to €18,108 million in the reporting year. Excluding negative currency effects of €87 million, the increase was 57.1%. At €3,366 million, gross profit in the Global Forwarding business unit was likewise up on the prior-year figure of €2,564 million.

Higher gross profit in air and ocean freight, capacity shortages in ocean freight

We registered an increase of 25.7% in air freight volumes in 2021, due mainly to the recovery in global merchandise trade. The highest growth was attributable to the trade lanes between Asia and the United States. Air freight revenue exceeded the prior-year level by 43.2%; gross profit improved by 18.5%. In the fourth quarter of 2021, air freight revenue rose by 60.9% whilst gross profit was up 31.9%.

Ocean freight volumes for the year under review were up 8.7% year-on-year. Ocean freight revenue increased by 103.2% and gross profit improved by 77.5% – strongly impacted by centrally sourced freight capacity. Continued tight capacities contributed to high freight rates. In the fourth quarter of 2021, ocean freight revenue (+158.8%) and gross profit (+93.5%) both saw significant improvements.

Revenue increase in European overland transport business

Revenue in the Freight business unit increased by 11.6% to €4,848 million in the reporting year; positive currency effects amounted to €3 million. Volumes were up 7.8% year-on-year. The gross profit of the business unit also rose by 11.0% to €1,239 million. The fourth quarter also proved to be stronger with revenue 7.5% above the previous year.

Earnings substantially exceed prior-year figure

Division EBIT rose from €592 million to €1,303 million, thus more than doubling in the year under review. With the EBIT margin at 5.7%, EBIT amounts to 28.3% of gross profit. At €403 million, fourth quarter division EBIT was also significantly higher than the prior-period level of €173 million. The special bonus once again paid out in the year under review amounted to €14 million.

SUPPLY CHAIN

Key figures, Supply Chain

€m

	2020 adjusted[1]	2021	+/– %	Q4 2020 adjusted[1]	Q4 2021	+/– %
Revenue	12,549	13,864	10.5	3,501	3,655	4.4
of which EMEA (Europe, Middle East and Africa)	6,104	6,596	8.1	1,689	1,806	6.9
Americas	4,640	5,266	13.5	1,310	1,329	1.5
Asia Pacific	1,814	2,046	12.8	505	534	5.7
Consolidation/Other	–9	–44	<–100	–3	–14	<–100
Profit from operating activities (EBIT)	424	705	66.3	174	198	13.8
Return on sales (%)[2]	3.4	5.1	–	5.0	5.4	–
Operating cash flow	1,063	1,582	48.8	699	664	–5.0

[1] Prior-year amounts adjusted due to reclassifications.
[2] EBIT/revenue.

Impacts of the pandemic on our business

The COVID-19 pandemic once again impacted the contract logistics market in 2021. In some parts, certain sectors were confronted with local lockdown measures and economic restrictions, thus the pandemic is accounting for global shortages such as semiconductor chips. We were able to manage our customers' supply chains well thanks to our flexibility, our standardised processes and our targeted data analyses.

Strong revenue growth in the year under review

Revenue in the division rose by 10.5% to €13,864 million in the year under review. Excluding negative currency effects of €30 million, revenue exceeded the prior-year figure by 10.7%. The strong performance registered during the course of the year extended to all regions and sectors; growing e-commerce business, new business and contract renewals provide further reinforcement. In the fourth quarter of 2021, revenue increased by 4.4% to €3,655 million.

Supply Chain: revenue by sector and region, 2021

Total revenue: €13,864 m

of which Retail	29%
Consumer	22%
Auto-mobility	14%
Technology	13%
Life Sciences & Healthcare	12%
Engineering & Manufacturing	6%
Others	4%
of which Europe/Middle East/Africa/Consolidation	47%
Americas	38%
Asia Pacific	15%

New business worth €1,409 million secured

The division concluded additional contracts worth €1,409 million (annualised revenue) in the reporting period, which corresponds to a contract volume of €5,104 million. This represents a further year-on-year increase of 8.7%. The Retail including e-commerce, Consumer, and Life Sciences & Healthcare sectors accounted for the majority of the new business. Solutions based on e-commerce accounted for a 28% share of new business. The annualised contract renewal rate remained at a consistently high level.

Earnings performance significantly higher than previous year

EBIT in the division rose significantly to €705 million in the year under review (previous year: €424 million). In the previous year, EBIT was affected by extraordinary expenses of €62 million caused by nonrecurring impairment losses resulting from lockdown measures and the payment of a special bonus totalling €52 million. The special bonus once again paid out in the year under review amounted to €47 million. Strong revenue growth, productivity improvements and digitalisation initiatives contributed significantly to the earnings growth. The EBIT margin was 5.1% in the year under review. EBIT for the fourth quarter of 2021 rose from €174 million to €198 million.

ECOMMERCE SOLUTIONS

Key figures, eCommerce Solutions

€m	2020	2021	+/–%	Q4 2020	Q4 2021	+/–%
Revenue	4,829	5,928	22.8	1,455	1,664	14.4
of which Americas	1,629	2,079	27.6	495	617	24.6
Europe	2,618	3,140	19.9	785	855	8.9
Asia	593	719	21.2	182	195	7.1
Other/Consolidation	–11	–10	9.1	–7	–3	57.1
Profit from operating activities (EBIT)	158	417	>100	75	93	24.0
Return on sales (%)[1]	3.3	7.0	–	5.2	5.6	–
Operating cash flow	337	654	94.1	37	99	>100

[1] EBIT/revenue.

Impacts of the pandemic on our business
Besides the ongoing global shift from traditional retail businesses to e-commerce, the pandemic and pandemic-related factors have continued to accelerate the trend towards online shopping in 2021. Across all regions, we have seen increases in shipping volumes, especially in the B2C e-commerce sector.

Revenue growth in all regions
The division generated revenue of €5,928 million in the year under review, up 22.8% on the prior-year figure. The increase in revenue in all regions is attributable to higher volumes in the B2C business. Excluding negative currency effects of €38 million, revenue was up a total of 23.5% year-on-year. Division revenue increased by 14.4% in the fourth quarter of 2021 to €1,664 million.

Significant year-on-year increase in EBIT
EBIT in the division increased to €417 million in the year under review (previous year: €158 million). This was due mainly to higher revenues in the B2C business and strict cost management. In the previous year, nonrecurring impairment losses of €30 million were recognised in the second quarter, and the payment of a special bonus of €10 million was recognised in the third quarter. The special bonus paid once again amounted to €11 million in the reporting period. The EBIT margin was 7.0%. EBIT amounted to €93 million (previous year: €75 million) in the fourth quarter of 2021.

POST & PARCEL GERMANY

Impacts of the pandemic on our business
The ongoing COVID-19 pandemic has accelerated the structural transformation already underway in the mail delivery market. As conventional letter mail volumes containing documents continue to decline, volumes of goods shipments are growing, in some cases substantially, although the retail sector was largely open for business in the year under review.

The Dialogue Marketing business unit performed well: the advertising spend in mail-order retailing grew in contrast to the weak previous year, primarily an effect of the pandemic.

The parcel market is continuing to register significant growth driven by the ongoing shift from retail sale businesses to online sales across many categories of goods.

Revenue surpasses prior-year level
At €17,445 million, division revenue exceeded the prior-year figure by 6.0% in the year under review. The increase was driven in particular by continued strong growth in the German parcel business. Revenue for the fourth quarter of 2021 was down slightly by 0.6% versus the prior year.

Varying business unit performance
In the reporting year, Mail Communication saw revenue and volumes follow the overall sustained downward trend, as expected. This development was mitigated somewhat by the unusually high percentage of people voting by mail in Germany's federal and state elections. After three years of price stability, the prices of some mail products subject to regulation were increased moderately as of 1 January 2022,

Expected developments, opportunities and risks.

In the course of 2021, Dialogue Marketing's revenue and sales volumes outperformed their levels of the previous year, which was affected by the lockdown, when advertising expenditure was reduced in the retail segment in particular.

The German parcel business saw pandemic-related restrictions on traditional retail strongly boost growth until mid-year. Despite shops increasingly opening again, the volumes remained at a high level in the second half. Supported by rate increases, revenue generated by Parcel Germany rose by 14.7% in the year under review.

During the year under review, imports shipped as letter mail were significantly impacted by declining volumes of lightweight shipments of goods coming from China due to changes in European import rules. By contrast, imports shipped as parcels again recorded significant growth over the course of the year. In terms of goods and documents exported to the rest of Europe and the world, document shipments declined slightly, whereas the number of merchandise shipments rose again.

EBIT improvement over prior year

EBIT in the division improved by 9.7% to €1,747 million in the year under review. This was due mainly to higher revenues in the domestic and international parcel business and strict cost management. In contrast, Mail Communication saw revenue drop slightly. The EBIT figure includes the special bonus payment to employees totalling €52 million. The special bonus amounting to €51 million was included in the previous year's figure. Division EBIT in the fourth quarter of 2021 totalled €576 million, a decline of 14.5%. The higher revenue in the prior-year quarter due to the pandemic as well as higher material costs to ensure high quality during the Christmas season influenced EBIT.

Key figures, Post & Parcel Germany

€m

	2020	2021	+/–%	Q4 2020	Q4 2021	+/–%
Revenue	16,455	17,445	6.0	4,801	4,771	–0.6
of which Post Germany	8,030	7,995	–0.4	2,211	2,197	–0.6
Parcel Germany	5,915	6,785	14.7	1,839	1,840	0.1
International	2,397	2,570	7.2	726	714	–1.7
Other/Consolidation	113	95	–15.9	25	20	–20.0
Profit from operating activities (EBIT)	1,592	1,747	9.7	674	576	–14.5
Return on sales (%)[1]	9.7	10.0	–	14.0	12.1	–
Operating cash flow	1,703	1,811	6.3	695	346	–50.2

[1] EBIT/revenue.

Post & Parcel Germany: revenue

€m

	2020	2021	+/–%	Q4 2020	Q4 2021	+/–%
Post Germany	8,030	7,995	–0.4	2,211	2,197	–0.6
of which Mail Communication	5,525	5,473	–0.9	1,519	1,478	–2.7
Dialogue Marketing	1,804	1,811	0.4	507	530	4.5
Other/Consolidation (Post Germany)	701	711	1.4	185	189	2.2
Parcel Germany	5,915	6,785	14.7	1,839	1,840	0.1

Post & Parcel Germany: volumes

Mail items (millions)

	2020	2021	+/–%	Q4 2020	Q4 2021	+/–%
Post Germany	14,260	14,216	–0.3	3,889	3,942	1.4
of which Mail Communication	6,420	6,314	–1.7	1,753	1,687	–3.8
Dialogue Marketing	6,827	6,928	1.5	1,870	1,992	6.5
Parcel Germany	1,614	1,818	12.6	498	488	–2.0

Financial position

Selected cash flow indicators

€m	2020	2021	Q4 2020	Q4 2021
Cash and cash equivalents as at 31 December	4,482	3,531	4,482	3,531
Change in cash and cash equivalents	1,809	−1,055	233	−444
Net cash from operating activities	7,699	9,993	2,918	2,616
Net cash used in investing activities	−3,640	−4,824	−1,672	−2,184
Net cash used in financing activities	−2,250	−6,224	−1,013	−876

Financial management is a centralised function in the Group

The Group's financial management activities include managing liquidity along with hedging against fluctuations in interest rates, currencies and commodity prices, arranging Group financing, issuing guarantees and letters of comfort and liaising with rating agencies. 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 (Florida, USA) and Singapore. The regional centres act as interfaces between Group headquarters and the operating companies, advise the companies on 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 in addition to preserving the Group's financial stability and flexibility over the long term. In order to maintain its unrestricted access to the capital markets, the Group continues to aim for a credit rating appropriate to the sector.

The Group pursued its proven finance strategy once again in the 2021 financial year, which, in addition to the interests of shareholders, also takes the creditor requirements into account. The finance strategy will be further enhanced in 2022.

FFO to debt

€m	2020	2021
Operating cash flow before changes in working capital	8,103	10,423
+ Interest received	67	91
− Interest paid	556	550
+ Adjustment for pensions	97	102
= Funds from operations, FFO	**7,711**	**10,066**
Reported financial liabilities	19,098	19,897
− Financial liabilities at fair value through profit or loss	54	13
+ Adjustment for pensions	5,826	3,777
− Surplus cash and near-cash investments[1]	4,350	4,089
= Debt	**20,520**	**19,572**
FFO to debt (%)	**37.6**	**51.4**

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

Funds from operations (FFO) represents operating cash flow before changes in working capital plus interest received less interest paid and adjusted for pensions, as shown in the FFO to debt calculation. In addition to financial liabilities and surplus cash and near-cash investments, the figure for debt also includes pension liabilities funded by provisions.

The FFO to debt performance metric saw a significant year-on-year increase in the year under review because funds from operations rose whilst debt decreased.

Funds from operations were up by €2,355 million to €10,066 million, mainly on account of a positive change in operating cash flow before changes in working capital.

Debt decreased by €948 million year-on-year to €19,572 million. Reported financial liabilities increased, mainly as a result of higher lease liabilities. Conversely, a bond was repaid in the amount of €750 million in the year under review. The adjustment for pensions decreased, because pension obligations decreased whilst the plan assets increased. Surplus cash and near-cash investments dropped despite free cash flow of €4,092 million, primarily due to dividends paid out, payments for the share buy-back programme, the repayment of a bond and increased cash needed for operations.

Cash and liquidity managed centrally

The cash and liquidity of our globally operating subsidiaries is managed centrally by Corporate Treasury. Approximately 80% of the Group's external revenue is consolidated in cash pools and used to balance internal liquidity needs. In countries where this practice is ruled out for legal reasons, internal and external borrowing and investment are managed centrally by Corporate Treasury. In this context, we observe a balanced banking policy in order to remain independent of individual banks. Our subsidiaries' intra-Group revenue is also pooled and managed by our in-house bank (inter-company clearing) in order to avoid paying external bank charges and margins. Payment transactions are executed in accordance with uniform guidelines using standardised processes and IT systems. Many Group companies pool their external payment transactions in the intra-Group Payment Factory, which executes payments on behalf 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 means of equity and debt. This ensures our financial stability and also provides adequate flexibility. Our most important source of funds is net cash from operating activities.

We also have a syndicated credit facility in a total volume of €2 billion that guarantees us favourable market conditions and acts as a secure, long-term liquidity reserve. The term of the syndicated credit facility is through 2025, it does not contain any further covenants concerning the Group's financial indicators and, thanks to our solid liquidity situation, it was not drawn down during the year under review.

As part of our banking policy, we spread our business volume widely and maintain long-term relationships with the financial institutions we entrust with our business. In addition to credit lines, we meet our borrowing requirements through other independent sources of financing, such as bonds, promissory note loans and leases. Most debt is taken out centrally in order to leverage economies of scale and specialisation benefits and hence minimise borrowing costs.

One bond in the amount of €750 million was repaid in the year under review. Information on bonds is contained in note 39 to the consolidated financial statements.

No change in the Group's credit rating

The ratings of "BBB+" issued by Fitch Ratings (Fitch) and "A3" issued by Moody's Investors Service (Moody's) remain in effect for our credit quality. The stable outlook from both rating agencies also still applies. We remain well positioned in the transport and logistics sector with these ratings. The following table shows the ratings as at the reporting date and the underlying factors. The complete and current analyses by the rating agencies and the rating categories can be found under Creditor relations.

Agency ratings

Fitch

Long-term: BBB+
Short-term: F2
Outlook: stable

+ Rating factors

- Balanced business risk profile
- Growth in parcel and express business fuelled by e-commerce
- Dynamic volume growth in Time Definite International and Time Definite Domestic products
- Solid credit metrics and good liquidity

– Rating factors

- Structural mail volume decline in the Post & Parcel Germany division and challenges in managing the cost structure in the division
- Exposure to global market volatility and competitiveness through the DHL divisions

Moody's

Long-term: A3
Short-term: P–2
Outlook: stable

+ Rating factors

- Large scale and strong business profile, supported by global leadership positions in express and logistics, and by the large German mail business
- Support that is built into the rating because of the German government's indirect shareholding and the importance of the company's services to the German economy
- Solid financial profile
- Good earnings momentum supported by solid e-commerce growth

– Rating factors

- Challenges faced in domestic letter mail business which result from the structural decrease in conventional letter mail
- Exposure to highly competitive mature markets and volatile market conditions in the logistics business
- Increasing capital spending, which hampers cash generation

Liquidity and sources of funds

As at the reporting date, the Group had cash and cash equivalents in the amount of €3.5 billion (previous year: €4.5 billion) at its disposal. The centrally available cash is either invested on the money and capital markets in the short term or deposited in existing bank accounts. These central, short-term financial investments had a volume of €3.6 billion as at the reporting date (previous year: €3.9 billion).

The following table gives a breakdown of the financial liabilities reported in the balance sheet. Additional information is provided in note 39 to the consolidated financial statements.

Financial liabilities

€m	2020	2021
Lease liabilities	10,459	11,805
Bonds	7,410	6,669
Amounts due to banks	479	544
Promissory note loans	150	150
Financial liabilities at fair value through profit or loss	54	13
Other financial liabilities	546	716
	19,098	**19,897**

Capital expenditure for assets acquired above prior-year level

Investments in property, plant and equipment and intangible assets acquired (excluding goodwill) amounted to €3,895 million in the year under review (previous year: €2,999 million). Please refer to note 10, 22 and 23 to the consolidated financial statements for a breakdown of capex into asset classes and regions.

Capex and depreciation, amortisation and impairment losses, full year

	Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions		Post & Parcel Germany		Group Functions		Consolidation[1]		Group	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Capex (€m) relating to acquired assets	1,428	1,707	104	132	351	483	141	245	590	883	385	445	0	0	**2,999**	**3,895**
Capex (€m) relating to leased assets	974	1,246	207	215	973	667	143	178	14	14	448	760	0	0	**2,759**	**3,080**
Total (€m)	**2,402**	**2,953**	**311**	**347**	**1,324**	**1,150**	**284**	**423**	**604**	**897**	**833**	**1,205**	**0**	**0**	**5,758**	**6,975**
Depreciation, amortisation and impairment losses (€m)	1,383	1,511	246	245	920	756	169	179	329	334	784	744	–1	–1	**3,830**	**3,768**
Ratio of total capex to depreciation, amortisation and impairment losses	1.74	1.95	1.26	1.42	1.44	1.52	1.68	2.36	1.84	2.69	1.06	1.62	–	–	**1.50**	**1.85**

[1] Including rounding.

Capex and depreciation, amortisation and impairment losses, Q4

	Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions		Post & Parcel Germany		Group Functions		Consolidation[1]		Group	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Capex (€m) relating to acquired assets	737	758	41	37	99	166	79	138	260	403	165	136	0	0	**1,381**	**1,638**
Capex (€m) relating to leased assets	259	334	74	60	289	155	39	90	2	5	151	263	0	–1	**814**	**906**
Total (€m)	**996**	**1,092**	**115**	**97**	**388**	**321**	**118**	**228**	**262**	**408**	**316**	**399**	**0**	**–1**	**2,195**	**2,544**
Depreciation, amortisation and impairment losses (€m)	355	400	60	65	228	117	43	51	89	90	190	190	0	–1	**965**	**912**
Ratio of total capex to depreciation, amortisation and impairment losses	2.81	2.73	1.92	1.49	1.70	2.74	2.74	4.47	2.94	4.53	1.66	2.10	–	–	**2.27**	**2.79**

[1] Including rounding.

Investments in the Express division related to buildings and technical equipment. Continuous maintenance and renewal of our intercontinental air fleet represented an additional focus of investment spending.

In the Global Forwarding, Freight division, we invested in warehouses, office buildings and IT.

In the Supply Chain division, the majority of funds were invested to support customer implementations in all regions, mostly in the Americas and EMEA regions.

In the eCommerce Solutions division, most of the investments were attributable to network expansion in the Netherlands, the Czech Republic and the United States.

In the Post & Parcel Germany division, the largest capex portion was attributable to the expansion of our infrastructure. The acquisition and development of property were stepped up in the year under review. Another key focus was expanding Packstations.

At Group Functions, investments in the reporting year were mainly in the vehicle fleet and IT solutions.

Significantly higher operating cash flow

Net cash from operating activities increased significantly from €7,699 million to €9,993 million. Based upon EBIT, which at €7,978 million was well over the prior-year figure (€4,847 million), all non-cash income and expense items were adjusted. Income tax payments rose by €569 million to €1,323 million. At €430 million, the cash outflow from changes in the working capital was €26 million higher than in the previous year.

Net cash used in investing activities increased from €3,640 million to €4,824 million. Cash paid to acquire non-current assets also rose, from €2,945 million in the previous year to €3,767 million in the year under review. Most of this was for the ongoing expansion and renewal of our vehicle and air fleets. The purchase of money market funds totalling €950 million led to, amongst other effects, cash paid to acquire current financial assets amounting to €1,508 million (previous year: €933 million).

Free cash flow showed a sharp improvement from €2,535 million to €4,092 million.

Calculation of free cash flow

€m	2020	2021	Q4 2020	Q4 2021
Net cash from operating activities	**7,699**	**9,993**	**2,918**	**2,616**
Sale of property, plant and equipment and intangible assets	122	190	38	102
Acquisition of property, plant and equipment and intangible assets	−2,922	−3,736	−1,259	−1,456
Cash outflow from change in property, plant and equipment and intangible assets	**−2,800**	**−3,546**	**−1,221**	**−1,354**
Disposals of subsidiaries and other business units	5	13	1	10
Disposals of investments accounted for using the equity method and other investments	0	1	0	1
Acquisition of subsidiaries and other business units	0	0	0	0
Acquisition of investments accounted for using the equity method and other investments	−13	−2	0	0
Cash outflow/inflow from acquisitions/divestitures	**−8**	**12**	**1**	**11**
Proceeds from lease receivables	27	143	10	122
Interest from lease receivables	0	16	0	16
Repayment of lease liabilities	−1,894	−2,051	−478	−532
Interest on lease liabilities	−394	−383	−96	−100
Cash outflow for leases	**−2,261**	**−2,275**	**−564**	**−494**
Interest received (without leasing)	67	75	16	22
Interest paid (without leasing)	−162	−167	−75	−68
Net interest paid	**−95**	**−92**	**−59**	**−46**
Free cash flow	**2,535**	**4,092**	**1,075**	**733**

Net cash used in financing activities amounted to €6,224 million and was thus well above the prior-year figure (€2,250 million) which was primarily impacted by inflows from bonds issued in the amount of €2.2 billion. In the year under review, by contrast, we paid back a bond in the amount of €750 million. The dividend paid out to our shareholders in May increased by €251 million to €1,673 million. The share buy-back programme in particular increased the acquisition of treasury shares to €1,115 million.

Cash and cash equivalents fell from €4,482 million as at 31 December 2020 to €3,531 million.

Net assets

Selected indicators for net assets

		31 Dec. 2020	31 Dec. 2021
Equity ratio	%	25.5	30.7
Net debt	€m	12,928	12,772
Net interest cover		9.9	17.4
Net gearing	%	47.9	39.6

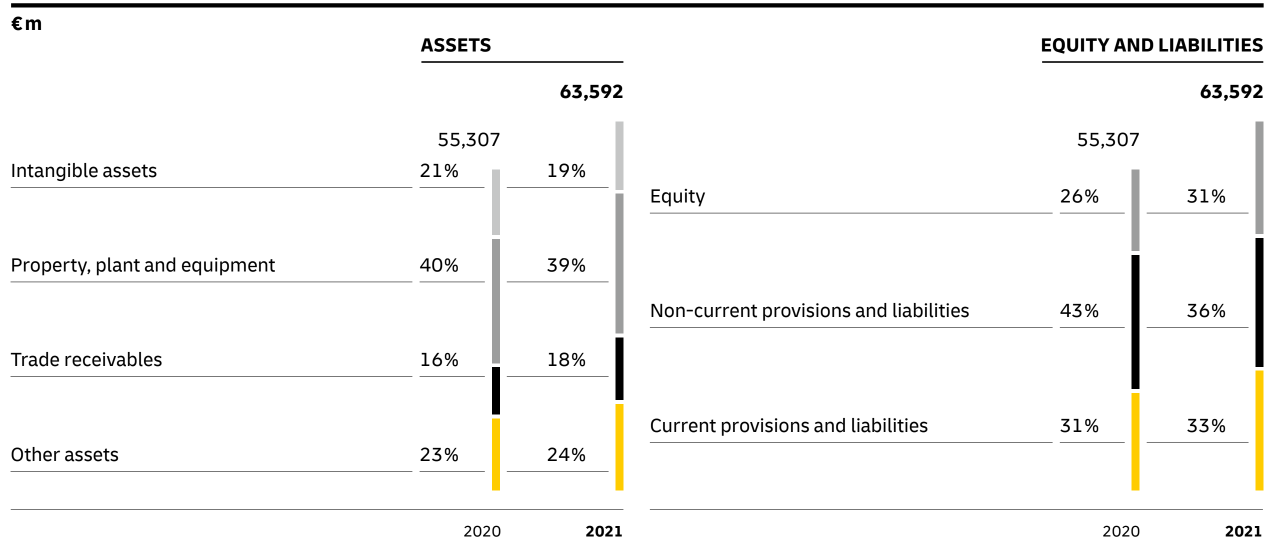
Consolidated total assets up sharply

The Group's total assets amounted to €63,592 million as at 31 December 2021, €8,285 million higher than at 31 December 2020 (€55,307 million).

Intangible assets rose from €11,658 million to €12,076 million, mainly because positive currency effects led to an increase in goodwill. Property, plant and equipment grew significantly from €22,007 million to €24,903 million, as investments and positive currency effects exceeded disposals and depreciation, amortisation and impairment losses. Non-current financial assets rose from €746 million to €1,190 million, primarily because lease receivables increased. Other non-current assets grew by €427 million to €587 million; actuarial gains in particular increased pension assets. Current financial assets increased significantly from €1,315 million to €3,088 million also due to our investment of €950 million in money market funds. Trade receivables rose by €2,698 million to €11,683 million. Cash and cash equivalents decreased by €951 million to €3,531 million.

At €19,037 million, equity attributable to Deutsche Post AG shareholders was well above the figure as at 31 December 2020 (€13,777 million). Actuarial gains from pension obligations, currency effects and consolidated net profit in particular increased this figure, whilst the dividend payment and share buy-backs decreased it. Higher interest rates resulted in a steep decrease in provisions for pensions and other obligations by €1,650 million to €4,185 million. Financial liabilities increased from €19,098 million to €19,897 million, primarily due to lease liabilities having risen on account of investments. Trade payables increased from €7,309 million to €9,556 million. Other current liabilities increased by €1,003 million to €6,138 million due also to an increase in customs and duties which we assumed for our customers.

Balance sheet structure of the Group as at 31 December



Net debt drops slightly to €12,772 million

Our net debt declined slightly from €12,928 million as at 31 December 2020 to €12,772 million as at 31 December 2021. At 30.7%, the equity ratio was well above the prior-year figure (25.5%). At 17.4, net interest cover was also noticeably up on the previous year's level (9.9). Net gearing was 39.6% as at 31 December 2021.

Net debt

€m	31 Dec. 2020	31 Dec. 2021
Non-current financial liabilities	15,833	16,589
+ Current financial liabilities	2,893	2,802
= **Financial liabilities**[1]	**18,726**	**19,391**
– Cash and cash equivalents	4,482	3,531
– Current financial assets	1,315	3,088
– Positive fair value of non-current financial derivatives[2]	1	0
= **Financial assets**	**5,798**	**6,619**
Net debt	**12,928**	**12,772**

[1] Less operating financial liabilities.
[2] Recognised in non-current financial assets in the balance sheet.

DEUTSCHE POST AG (HGB)

Deutsche Post AG as parent company

In addition to the reporting on the Group, the performance of Deutsche Post AG is outlined below.

As the parent company of Deutsche Post DHL Group, Deutsche Post AG prepares its consolidated financial statements in accordance with the principles of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Aktiengesetz* (AktG – German Stock Corporation Act). The HGB financial statements are relevant for calculating the dividend.

There are no separate performance indicators relevant for management purposes that are applicable to the parent company Deutsche Post AG as a legal entity. For this reason, the explanations presented for Deutsche Post DHL Group are also applicable to Deutsche Post AG.

Employees

The number of full-time equivalents at Deutsche Post AG at the reporting date was 165,221 (previous year: 166,143).

Results of operations

Revenue grew by a total of €1,025 million (6.6%) year-on-year.

Revenue from German letter mail business was €7,670 million in the year under review and thus 0.6% below the prior-year level of €7,716 million. Of this revenue, €4,952 million (previous year: €5,085 million) was attributable to Mail Communication, €1,697 million (previous year: €1,693 million) to Dialogue Marketing and €1,021 million (previous year: €938 million) to other services. Revenue in the German parcel business in the reporting year was €6,120 million, exceeding the prior-year figure of €5,164 million by 18.5%. This is primarily attributable to the rise in deliveries due to the pandemic as well as price increases vis-à-vis intra-Group companies. Revenue of €2,159 million (previous year: €2,079 million) was reported for our International business unit in the reporting period. Other revenue amounted to €661 million (previous year: €626 million).

Income statement for Deutsche Post AG (HGB)
1 January to 31 December

€m	2020	2021
Revenue	15,585	16,610
Other own work capitalised	53	77
Other operating income	972	1,109
	16,610	**17,796**
Materials expense	−5,207	−5,756
Staff costs	−8,532	−8,844
Amortisation of intangible assets and depreciation of property, plant and equipment	−291	−317
Other operating expenses	−2,156	−2,134
	−16,186	**−17,051**
Financial result	**2,765**	**3,616**
Taxes on income	**−274**	**−426**
Result after tax/Net profit for the period	**2,915**	**3,935**
Retained profits brought forward from previous year	**5,062**	**6,304**
Net retained profit	**7,977**	**10,239**

Other operating income registered a year-on-year increase of €137 million, or 14.1%, driven mainly by higher income from disposals of assets as a result of real estate sales.

Materials expense rose by €549 million on account of an increase in the cost of transport services for letters and parcels as well as an increase for leases and rents.

Staff costs rose by €312 million year-on-year, due primarily to a tariff increase of 3% and the associated social insurance contributions. A special bonus of €52 million (previous year: €50 million) was paid in the financial year under review.

The decrease in other operating expenses by €22 million stemmed mainly from lower currency expenses (€116 million) and higher expenses for service level agreements (€63 million) and purchased services (€32 million).

The financial result in the amount of €3,616 million (previous year: €2,765 million) mainly comprises net investment income of €4,085 million (previous year: €3,399 million) and a net interest expense of €460 million (previous year: €634 million). The change in net investment income is due mainly to the €668 million increase in income from profit transfer agreements attributable to Deutsche Post Beteiligungen Holding GmbH. Deutsche Post Beteiligungen Holding GmbH's earnings were the result of higher profit transfers thanks to very good operating results generated by the subsidiaries, the reversal of impairment losses on carrying amounts of investments in subsidiaries and income from the disposal of investments as a result of a transfer within the Group. Higher income from plan assets led to the improvement in net interest expenses.

After accounting for taxes on income of €–426 million (previous year: €–274 million), net profit for the period totalled €3,935 million (previous year: €2,915 million). Including retained profits carried forward, net retained profit for the period amounted to €10,239 million (previous year: €7,977 million).

Net assets and financial position

Total assets up

Total assets rose to €46,255 million as at the reporting date (previous year: €43,012 million).

Fixed assets declined from €19,333 million to €17,365 million. Investments in property, plant and equipment totalled €700 million (previous year: €475 million) and related mainly to land and buildings (€277 million), technical equipment (€130 million) and advance payments and assets under development (€237 million). Investments were made mainly in mail and parcel centres, conveyor and sorting systems, Packstations and real estate for network expansion. Non-current financial assets were down €2,428 million. Shares in affiliated companies were up in particular through equity measures, increasing by €5,483 million in the reporting period, mostly due to the carrying amount of Deutsche Post Beteiligungen GmbH. Loans to affiliated companies declined by €7,910 million, because Group financing was shifted largely to short-term cash management in current assets.

Balance sheet of Deutsche Post AG (HGB) as at 31 December

€m	2020	2021
ASSETS		
Fixed assets		
Intangible assets	190	232
Property, plant and equipment	3,430	3,848
Non-current financial assets	15,713	13,285
	19,333	**17,365**
Current assets		
Inventories	68	79
Receivables and other assets	19,251	24,795
Securities	1,208	1,745
Cash and cash equivalents	2,767	1,861
	23,294	**28,480**
Prepaid expenses	**385**	**410**
TOTAL ASSETS	**43,012**	**46,255**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	1,239	1,239
Treasury shares	0	–15
Issued capital	**1,239**	**1,224**
(Contingent capital: €139 million)		
Capital reserves	4,670	4,679
Revenue reserves	4,480	3,598
Net retained profit	7,977	10,239
	18,366	**19,740**
Provisions	**5,388**	**5,227**
Liabilities	**19,186**	**21,198**
Deferred income	**72**	**90**
TOTAL EQUITY AND LIABILITIES	**43,012**	**46,255**

Current assets grew by €5,186 million, due largely to an increase of €5,624 million in receivables from affiliated companies resulting from intra-Group cash management (€4,955 million) and profit transfer agreements (€668 million). In addition, securities holdings increased by €537 million. Cash and cash equivalents decreased by €906 million.

Equity was up from €18,366 million in the previous year to €19,740 million. The 2021 distribution to shareholders totalling €1,673 million was more than entirely offset by the net profit for 2021 of €3,935 million. Revenue reserves declined by €882 million, with the share buy-back programme reducing this figure by €982 million. The offsetting increase in the revenue reserves by €100 million and the increase in capital reserves by €9 million are attributable to the commitment and settlement of shares for executive remuneration plans. The equity ratio remained the same at 42.7%.

Provisions were down by €161 million in the reporting period. Provisions for pensions and similar obligations decreased by €11 million, provisions for taxes by €97 million and other provisions by €53 million. The decline in provisions for taxes is due to higher advance income tax payments. Other provisions were down because of a decrease in obligations for the early retirement programme of €67 million.

Liabilities increased by €2,012 million to €21,198 million. The liabilities arising from bonds were down by €750 million. A bond with a principal amount of €750 million was repaid. Liabilities to banks rose by €31 million. The increase in liabilities to affiliated companies amounting to €3,027 million resulted largely from intra-Group cash management.

Decline in cash funds

Deutsche Post AG's cash funds declined by €906 million to €1,861 million in the 2021 financial year. This was significantly influenced by the share buy-back programme (€1,000 million), the repayment of a bond (€750 million), the increase in securities (€537 million) and the offsetting higher operating profit.

Increase in debt

Deutsche Post AG's debt (provisions and liabilities) rose by €1,851 million to €26,425 million compared with the previous year. The increase was due chiefly to higher liabilities to affiliated companies (€3,027 million) and lower liabilities arising from bonds (€750 million) in the year under review.

Expected developments, opportunities and risks

Deutsche Post AG is included fully in the Group's international strategy and associated performance forecast. Since Deutsche Post AG is interconnected, to a large degree, with the companies of Deutsche Post DHL Group through arrangements including financing and guarantee commitments and direct and indirect investments in its investees, Deutsche Post AG's opportunities and risks align closely with those of the Group. The section titled **Expected developments, opportunities and risks** therefore also covers expected developments, opportunities and risks with respect to the parent company. The Post & Parcel Germany division reflects Deutsche Post AG's core business in material respects. The DHL divisions have an indirect influence on Deutsche Post AG through net investment income from profit transfer agreements. As a result, the subsidiaries' future operating results also influence the future results of Deutsche Post AG. The HGB financial statements are relevant for calculating the dividend. For the 2022 financial year, we anticipate a result for Deutsche Post AG that will enable a dividend payment compatible with our financial strategy.

NON-FINANCIAL STATEMENT

for Deutsche Post AG and for the Deutsche Post DHL Group in accordance with Sections 289b(1) and 315b(1) HGB

The year 2021 was again a challenging one, both for people individually and the economy in general. The continuing pandemic and numerous natural disasters adversely affected living conditions worldwide and tested the stability of supply chains. Moreover, employees and business partners as well as the capital market are all increasing their expectations for sustainable business, and legislators are tightening up their requirements for sustainable finance and reporting.

In this statement the Global Reporting Initiative (GRI) standards are taken as the framework for determining material non-financial topics, amended by German Commercial Code (HGB) requirements. The key performance indicators used for managing the Group were determined on the basis of their materiality in accordance with the HGB and the German Accounting Standard 20 was applied.

We conduct our business in accordance with applicable law and high ethical principles and environmental standards. As a signatory to the UN Global Compact, Deutsche Post DHL Group implements its ten principles in areas where we have influence. Additionally, we take guidance from the principles set out in the Universal Declaration of Human Rights, the OECD Guidelines for multinational enterprises and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as from the principle of social partnership. Our ethical and environmental values apply to the entire Group and are laid down in our Code of Conduct for employees and in the Supplier Code of Conduct for the business partners in our supply chain. Since respect for human rights is particularly important to us, we specify these guidelines in our Human Rights Policy Statement, Corporate governance.

Moreover, we participate in numerous United Nations initiatives and support the UN Sustainable Development Goals (SDGs). Our commitment is most closely aligned with the goals of Quality Education (SDG 4), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities (SDG 11), Climate Action (SDG 13) and Partnerships for the Goals (SDG 17).

Strategic orientation

Realignment of material topics

Our purpose of "Connecting people, improving lives" reflects our understanding of sustainability, which is embedded in our strategic bottom lines throughout the Group, Strategy. The degree to which we meet the needs of our key stakeholder groups, minimise the environmental impact of our business, increase our contributions to society and act as trustworthy business partners are also determinants of the success of our company. That is why we adhere to principles aimed at reducing our environmental footprint, creating a safe, inclusive and motivating workplace for our employees, and ensuring that our business practices are transparent and in compliance with the law.

Our ESG Roadmap reinforces and realigns our climate action and environmental protection activities and underscores and further defines our strategies towards social responsibility and corporate governance, Strategy. In addition, from 2022, all three ESG areas will be incorporated into and account for 10% respectively, of the target portfolio for bonus calculation of the Board of Management. The details are provided in a separate statutory remuneration report that will be published on our website.

We learned about the expectations of our key stakeholders through a comprehensive survey whose results were considered both in developing our ESG Roadmap and the associated initiatives and in conducting our materiality analysis. Using these, we derived six topics on which our business has a material influence or, conversely, which can affect our business. The six topics are: 1. climate protection with a focus on greenhouse gas (GHG) emissions, 2. engagement of our employees, 3. diversity and inclusion, 4. occupational safety and health in the workplace, 5. compliance and 6. cybersecurity. Key performance indicators (KPIs) have already been defined and targets determined for five of these topics; the definition of targets is under development for the topic of cybersecurity.

In the year under review, the management-relevant KPIs were Employee Engagement and greenhouse gas efficiency (CEX), Steering metrics. From 2022 onward we will introduce the following KPIs in addition to Employee Engagement: Realised Decarbonisation Effects, share of women in executive positions in middle and upper management, lost time injury frequency rate (LTIFR) per 200,000 working hours and share of valid compliance-relevant training certificates amongst managers in middle and upper management, Expected developments.

The development of actual versus planned key performance indicators is presented to the Board of Management along with financial KPIs, and discussed monthly. Deviations are analysed and solutions developed and approved. Moreover, we continued integrating the ESG KPIs and targets into the financial systems, the internal control system and the opportunity and risk management process in the reporting period.

New assessment of non-financial opportunities and risks

Opportunity and risk management takes place in Group Controlling and also covers sustainability-related opportunities and risks. In the reporting period, we assessed for the first time our opportunities and risks arising from climate change using a scenario analysis according to the standards of the Task Force on Climate-related Financial Disclosures (TCFD). This involved applying scenarios including possible warming of the planet by 2.0, 2.4 or 4.3 degrees Celsius to assess physical risks which could result from a rise in ocean levels, among other factors. For transitory risks, we used the sustainable development scenarios of the International Energy Agency.

In workshops, together with the Board of Management members responsible for the divisions, we analysed and evaluated the possible effects of climate change on our business models, strategy and operational business and considered them in view of our mission of striving to achieve net zero GHG emissions by 2050. This results mainly in transitory risks for the Group, particularly with regard to the development of carbon pricing, GHG emissions and operational limitations due to stricter regulation and the availability of sustainable fuels. This conclusion underscores the strategy behind our climate action activities: reducing GHG emissions and using sustainable technologies and fuels to minimise dependency on fossil fuels. Details are provided in Expected developments, opportunities and risks.

Responsibility for ESG issues reassigned

The Board of Management is the central decision maker also on Group-wide sustainability focus, whereas the divisions are responsible for implementation. The progress achieved is regularly discussed by the Board of Management. ESG topics are also the subject of meetings of the Supervisory Board and its committees. Topics relating to sustainability have been added to the tasks of the Strategy Committee and the skills profile of the Supervisory Board, Report of the Supervisory Board. The Sustainability Advisory Council provides perspectives from stakeholders outside the company.

Our ethical and environmental goals are expressed in Group policies that provide all employees and managers with principles and clear standards for contributing to our success within the scope of their jobs and responsibilities. The most important Group policies include the Code of Conduct and Supplier Code of Conduct, the guidelines on anti-corruption and standards for business ethics and on the environment and energy, as well as the Human Rights Policy Statement.

Responsibility for strategic orientation, the materiality analysis, stakeholder dialogue and implementation of the strategic and operational ESG programme was transferred to Corporate Development under the leadership of the CEO, where ESG topics are also embedded in the Group strategy.

ESG controlling and reporting is handled by Corporate Accounting & Controlling in the Finance Board department. This responsibility includes defining ESG metrics, meeting reporting standards, developing specifications for implementation in financial systems and the reporting itself.

Measures to counteract climate change and improve occupational safety are managed by the Operations Board and cybersecurity is managed by the IT Board, both of which are under the leadership of the CEO. Human resources (HR) issues such as employee matters and social standards are handled by the HR Board, which is chaired by the Board member for HR. Corporate citizenship is supported by the Board of Management and driven by corporate communications. Corporate Procurement defines the standards for procurement, designs the Corporate Procurement Policy and determines the selection processes for suppliers. The Chief Procurement Officer reports directly to the head of the Global Business Services Group Function and ensures that the Group's standardised selection processes are applied. The Chief Compliance Officer is responsible for the design of the Compliance Management System and reports to the CFO.

Contents of the combined non-financial statement

Reporting in accordance with Sections 289b(1) and 315b(1) HGB

Aspects (HGB)	Concepts	Claims for 2021	Results for 2021	Report section
Business model				General information
Environmental matters	Climate and environmental protection	Greenhouse gas efficiency increases by one index point	CEX drops one index point to 36[1,2] As of 2022, we will replace CEX as a performance indicator with Realised Decarbonisation Effects[2]	Steering metrics Forecast/actual comparison Environment Expected developments
Employee matters	Employee engagement and motivation	Employee Engagement KPI approval rate of more than 80%	Employee Engagement climbs to 84%[1,2]	Steering metrics Forecast/actual comparison Workforce Expected developments
	Promotion of diversity and inclusion	Increase share of women in executive positions[3]	Share of women in executive positions totals 25.1%[2,3]	Workforce Expected developments
	Ensure health at work	Prevent accidents	LTIFR amounts to 3.9[2]	Workforce Expected developments
Social matters	Corporate citizenship	Employee pride in contribution to society	Approval rate of 79% for this question in annual survey of employees[2]	Society
Anti-corruption and -bribery matters	Compliance with laws, principles and policies	Participation by executives[3] in compliance training	96% valid training certificates[2,3]	Corporate governance Expected developments
Respect for human rights	Prevent human rights violations	Carry out audits with regard to human rights	19 audits have been carried out[2]	Corporate governance
Cybersecurity	Guarantee IT system and data security	Participation by executives[3] in Information Security Awareness training	98% valid training certificates[3] New target definition under development	Corporate governance
Taxes	Avoid corporate structuring only for the purpose of tax optimisation	Adhere to tax strategy Group-wide	Taxes and social security contributions paid in line with the tax strategy	Corporate governance

[1] Management-relevant in the year under review, Steering metrics. [2] Reviewed with reasonable assurance, Assurance Report. [3] In middle and upper management.

Reporting on the facilitation of sustainable investments (EU Taxonomy)

Regulation 2020/852, Article 8, of the European Parliament and of the Council

EU Taxonomy	Results for 2021	Report section
Report taxonomy-eligible shares of revenue, capex and opex	56% of revenue, 64% of capex, 62% of opex are taxonomy-eligible	EU Taxonomy

Environment

Reposition climate protection

Our business activities impact the climate and the environment mainly in the form of greenhouse gases (GHG). We have reviewed and largely endorsed the climate action and environmental protection measures we have taken to date as part of our ESG Roadmap. A major element is a new medium-term climate protection target striving for an absolute reduction in GHG emissions by 2030.

We have therefore now switched the focus of our reporting to the development of absolute GHG emissions. Starting with this reporting year, we report GHG emissions according to the well-to-wheel approach; that is, our calculation includes the entire process chain for generating and supplying energy for transport as an additional Scope 3 category. Beginning in the coming financial year, we will replace CEX as a management-relevant KPI with Realised Decarbonisation Effects. We determine these effects using the GHG emissions avoided by decarbonisation measures.

We want to reduce our GHG emissions to net zero by 2050. That means we will use active reduction measures to reduce our GHG emissions (Scopes 1, 2 and 3) down to an unavoidable minimum, which is to be fully compensated for with recognised countermeasures (excluding offsetting).

We have set new, ambitious targets to be achieved by 2030 that continue to include the transport services provided by our subcontractors (Scope 3). Particularly important for achieving these goals by 2030 is a bundle of measures up to €7 billion to increase the use of sustainable technologies and fuels in our fleets and buildings to be rounded out by a range of environmentally friendly products. This approach allows us to uphold our responsibility to the climate and the environment, while strengthening our own market position.

Together with our subcontractors, we also work as part of initiatives to reduce fuel consumption and lower GHG emissions. This also enables us to procure the consumption and emissions data necessary for subcontractor management, which is why we take part in industry-wide initiatives and collaborate closely with customers, suppliers and industry partners.

GHG emissions above prior-year level

Due to the positive development of business in all divisions in the year under review and the significant increase in transport volumes associated with it, absolute GHG emissions rose as expected to 39.36 million tonnes of CO_2e, thus coming in 17.0% higher than the prior-year figure of 33.64 million tonnes of CO_2e. Realised Decarbonisation Effects already amounted to 728 kilotonnes of CO_2e. Moreover, a further 172 kilotonnes of CO_2e were avoided through the statutory blending of biofuels.

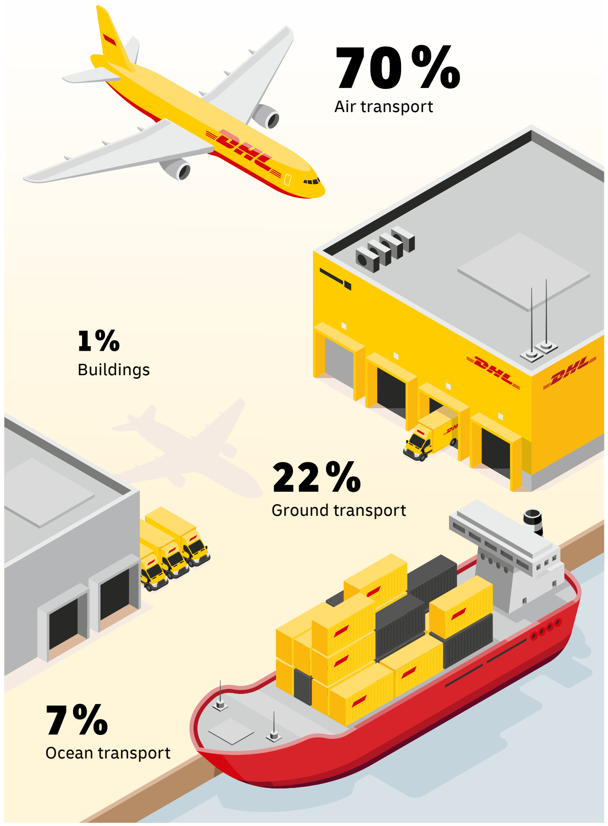
GHG emissions (well-to-wheel)

Million tonnes CO_2e

	2020	2021	+/– %
GHG emissions, total	33.64	39.36	17.0
of which Scope 1	6.59	7.30	10.8
Scope 2	0.19	0.20	5.3
Scope 3	26.86	31.86	18.6

GHG emissions by mode of transportation

Total: 39.36 million tonnes CO_2e[1]



[1] Scopes 1 to 3.

For 2022 we expect a budgeted figure of around 41 million tonnes of CO_2e, primarily because the limited availability and low percentage of sustainable fuels used in blends will not yet significantly reduce GHG emissions in air and ocean freight. This jump in emissions at the start of our mid-term horizon to 2030 – prior to a reduction in the second half of the decade – is included in our planning. Nonetheless, we are optimistic that, through our measures, we will realise decarbonisation effects totalling 969 kilotonnes of CO_2e in 2022, thereby significantly cushioning the increase in emissions from 2021 to 2022. We also hereby reiterate our medium-term target of lowering GHG emissions to below 29 million tonnes of CO_2e by 2030.

GHG efficiency drops

We measure our GHG efficiency using the CEX, which dropped by one index point to 36 in the year under review. In spite of improved efficiency in nearly all areas, the total value worsened due to the disproportionate growth in air freight, where the decreased passenger load of the remaining passenger aircraft had a negative influence on the efficiency. Because air freight is often transported in the cargo holds of passenger aircraft, the lower utilisation of this transport option on account of the pandemic results in the noticeable decrease in GHG efficiency in goods transport.

Using sustainable technologies and fuels

A cornerstone of our ESG Roadmap is a bundle of measures of up to €7 billion for sustainable technologies and fuels to be implemented by 2030. Our focus here is mainly on the modes of transportation using the most fuel and generating the most emissions, namely air freight and road transport, and further increasing the electrification of our fleet of pick-up and delivery vehicles. Moreover, we aim to further decarbonise purchased ocean freight capacity. We will also invest in technologies to design our own new buildings to be climate neutral.

Examples from the divisions:

During the year under review, Express concluded delivery contracts for sustainable aircraft fuels to the airports in San Francisco, East Midlands and Schiphol, with more locations to come.

The Global Forwarding, Freight division continually strives to identify and offer the most environmentally friendly transportation solutions or to shift deliveries to more efficient transport modes. With our established Green Carrier Certification, we create transparency regarding the sustainability of our subcontractors. In the year under review, we were one of the first companies in our industry to offer air and ocean freight solutions that make use of sustainable fuels.

Supply Chain offers our customers state-of-the-art solutions which drive the decarbonisation of their supply chains, for instance through carbon-neutral warehousing, reduced-carbon transport solutions and sustainable packaging solutions.

Post & Parcel Germany is focusing, amongst other things, on shifting parcel volumes to rail transport and expanding e-vehicles in pick-up and delivery. In addition, the use of sustainable fuels in road transport and the building of sustainable real estate is being promoted – with this also being pursued by eCommerce Solutions.

In the year under review, decarbonisation measures totalling €156 million were carried out, and Realised Decarbonisation Effects amounted to 728 kilotonnes of CO_2e. At 86%, the share of electricity from renewable sources used at our sites remained at the same high level as the previous year. In addition to our reduction measures, we offer our customers offsetting products to compensate for GHG emissions; in accordance with the GHG Protocol and for the presentation of the Realised Decarbonisation Effects, this offsetting is not taken into account for the calculation of our GHG footprint.

Decarbonisation measures

Measures	Results for 2021	Targets for 2030
Use sustainable fuels and technologies	€156 million used	Use up to €7 billion for decarbonisation
Use sustainable fuels in air, ocean and road freight	€28 million used for the purchase of sustainable fuels in addition to the legally required blending Share of sustainable fuels amounts to 1.3%	Share of sustainable fuels in air, ocean and road freight tops 30%
Increase electrification of the fleets	€115 million used Some 20,700 e-vehicles used in pick-ups and deliveries	60% e-vehicles used in pick-ups and deliveries
Climate-neutral building design	€13 million used for climate-neutral technologies	All our own new buildings are climate neutral

Group-wide energy consumption (Scopes 1 and 2) rose to 30,486 million kWh in the reporting period (previous year: 27,427 million kWh).

Energy consumption in the company's own fleet and buildings (Scopes 1 and 2)

Million kWh

	2020[1]	2021
Fleet consumption	24,336	27,296
Air transport (kerosene)	19,625	22,660
of which sustainable fuel	3	175
Road transport	4,711	4,636
of which sustainable fuels[2]	128	150
Consumption in buildings and facilities[3]	3,091	3,190
of which electricity	1,711	1,736
of which from renewable sources	1,464	1,497

[1] Adjusted due to structural changes.
[2] Includes legally required blending.
[3] Also includes consumption by electric vehicles.

Workforce

Common DNA as a factor for success

Our corporate culture makes us strong. It is underpinned by common values, convictions and behaviours and is one of the most important factors in our business success. We call it our common DNA, Strategy. It connects us across all business units and operating regions and defines who we are and how we operate. As early as 2006 we defined a Code of Conduct applicable to the whole Group. We value the diversity of our workforce and treat one another with respect, so that we may work together cooperatively and lay the foundation for our company's financial success.

Being an employer of choice

Our employees are our most valuable asset. With some 590,000 employees, we are one of the world's largest employers in our sector and aim to be an employer of choice, attracting competent and committed employees, continuously developing them and retaining them over the long term.

Only motivated employees deliver excellent service quality, meet our customers' needs satisfactorily and therefore ensure the sustainable profitability of our business activities. For this reason, we want to strengthen and lock in their commitment at a high level. We are dedicated to the principles of diversity and inclusion to create a work environment free of discrimination where each individual is valued and to guarantee workplaces that promote health.

In addition to direct dialogue with their superiors and management representatives, employees can turn to employee committees, works councils, trade unions and other bodies to indirectly represent their interests. At the global level, we engage in regular, open dialogue with international trade union confederations such as UNI Global Union (UNI) and International Transport Workers' Federation (ITF).

We foster employee loyalty and motivation by offering performance-based remuneration in line with market standards. It includes a base salary plus the agreed variable remuneration components such as bonus payments. In many countries, we also provide employees with access to defined benefit and defined contribution retirement plans. We also use neutral job evaluations to prevent discrimination on the basis of personal characteristics. These evaluations focus on the type of job, position in the company and responsibilities assigned. This systematic approach enables an independent and balanced remuneration structure.

In Germany, wages or salaries are generally regulated through either industry-level or company-level collective wage agreements. In many of our subsidiaries throughout Germany, our wage-scale employees also receive a performance-based bonus in addition to their monthly wage or salary. Employees of Deutsche Post AG covered by the collective wage agreement may opt to take additional time off in lieu of a pay increase. A total of 18.7% of the workforce there had exercised this option as at 31 December 2021.

Moreover, we offer both defined benefit and defined contribution pension plans in which approximately 70% of the Group's employees participate. Our main retirement benefit plans are provided in Germany, the UK, the USA, the Netherlands and Switzerland, note 37.1 to the consolidated financial statements.

Employee matters

Topics	KPI	Results for 2021	Targets for 2022	Targets for 2025
Employee engagement	Employee Engagement[1]	Employee Engagement approval rate in the annual survey increases to 84%	Group approval rate of more than 80%	Maintain employee engagement at a high level
Diversity and inclusion	Share of women in middle- and upper-management[1]	Share of women of 25.1%	Share of women rises to 25.9%	Share of women amounts to 30%
Occupational health and safety	LTIFR per 200,000 working hours[1]	LTIFR of 3.9	LTIFR decreases to 3.7	LTIFR of less than 3.1

[1] Relevant for internal management; from 2022, share of women in middle- and upper-management positions as well as LTIFR.

At €23,879 million, staff costs exceeded the prior-year figure of €22,234 million. This includes the special bonus of €300 which we paid to all employees – following a bonus payment in the same amount in 2020 – in the year under review for the additional strain they experienced due to the pandemic. Details can be found in note 15 to the consolidated financial statements.

As at 31 December 2021, the Group employed 592,263 individuals. Calculated as full-time equivalents, this figure totalled 548,042, up 4.0% from the previous year. Our current planning foresees a slight increase in the number of employees again in 2022. Added to this were another 81,939 external FTEs subject to the control and direction of the Group.

Workforce development

	2020	2021	+/–%
Headcount			
At year end[1]	**571,974**	**592,263**	**3.5**
Average for the year[1]	**547,128**	**574,047**	**4.9**
Full-time equivalents			
At year end[1]	**526,896**	**548,042**	**4.0**
of which Express	105,036	114,134	8.7
Global Forwarding, Freight[2]	41,897	43,840	4.6
Supply Chain[2]	166,199	175,099	5.4
eCommerce Solutions	31,995	33,809	5.7
Post & Parcel Germany	169,299	168,084	–0.7
Group Functions	12,470	13,076	4.9
Average for the year[1]	**502,207**	**528,079**	**5.2**
Share of part-time employees (%)	18	17	–
Average age of Group employees (years)	40	40	–
Share of female employees (%)	34.2	34.7	–
Unplanned employee turnover (%)	8	12	–

[1] Including trainees. [2] Prior-period amounts adjusted.

Employee engagement remains high

Each year we measure employee satisfaction and engagement by conducting a Group-wide survey. This important tool helps us determine where we are in our journey toward becoming an employer of choice. In this process, we use the Employee Engagement KPI as a Group-wide management-relevant indicator, Steering metrics. This enables us to quantify our employees' commitment to the company and their motivation to help the Group succeed. We exceeded the target of more than 80% for the reporting year with an approval score of 84%.

Selected results from the Employee Opinion Survey

%

	2020	2021
Response rate	75	75
Approval rate for Employee Engagement KPI	83[1]	84

[1] Prior-year figures adjusted due to changes in the survey.

Our common DNA is a fundamental part of our corporate strategy. Knowing this and living it has an immediate effect on employee satisfaction and engagement. We communicate our company culture not only in our day-to-day operations but also through select training initiatives. One example is our Group-wide "Certified" employee motivation and development programme, which aims to make our employees experts in their respective areas of responsibility. It also creates an atmosphere that places our customers at the heart of our activities and ensures we provide excellent service. In addition to a certified foundation module, we offer our employees a wide range of follow-up modules customised to their specific roles and areas of expertise. We place special emphasis on providing training for management and team leaders to help reinforce employees in their roles and support executives in carrying out their leadership duties. Such training focuses on leadership attributes that are applicable to all Group executives and serve as a behavioural compass. We also offer qualified employees a number of personal development options, such as special training for those with potential and development ambitions in self-management and in participation in interdisciplinary or international projects.

Diversity is our strength

Our organisation brings together people from cultures and cultural backgrounds from all over the world who possess a wide range of experiences, abilities and perspectives, with 179 nations represented at our German sites alone. The diversity of our employees is not only an asset to the company but also one of its major strengths. Diversity, inclusion and freedom from discrimination are anchored throughout the Group as part of our Code of Conduct. We expressly reject any and all forms of discrimination.

We take an equal opportunity approach to new hirings, both internally and externally, and look exclusively to a candidate's qualifications when deciding on their suitability.

One particular focus of our activities in diversity management is on increasing the share of women in executive positions. By 2025 we aim for women to occupy at least 30% of middle and upper management positions in the Group. The company uses various approaches to specifically empower female junior staff for the next step in their careers on the way to becoming middle- or upper-level executives, including coaching, mentoring and networks. In the year under review, we grew the share of women in middle and upper management by 1.9 percentage points from 23.2% to 25.1%. We are planning a share of 25.9% for 2022.

Our company's in-house RainbowNet network provides space for LGBTQ+ employees to share their experiences. Its aim is to ensure that all employees, irrespective of their sexual orientation and gender identity, are able to go about their work unhindered. As a founding member of the PROUT AT WORK Foundation, we are committed to providing a collegial, discrimination-free workplace so that our employees can achieve their individual career goals regardless of their sexual orientation or gender identity.

In line with our inclusive approach, we give disabled individuals professional prospects. In Germany, employers are required by law to ensure that employees with disabilities make up at least 5% of their workforce. At Deutsche Post AG, our principal entity in Germany, 8.0% of the total workforce represented employees with disabilities in the reporting year, that is 14,652 persons with disabilities, 15 of whom were trainees. This figure is significantly higher than the statutory quota.

In Germany, we offered a total of around 2,000 spots in our post-secondary educational training programmes during the reporting year. We provide college and university graduates with the chance to choose between various post-graduate training programmes.

In response to demographic change in Germany as well as for the purpose of ensuring an ageing-friendly workplace, we have established a Generations Pact enabling employees of Deutsche Post AG aged 55 and over to reduce their working hours. The option of early retirement for civil servants *(engagierter Ruhestand)* is also still in effect.

Generations Pact Deutsche Post AG

	2020	2021	+/–%
Number of employees with working time accounts	30,220	31,449	4.1
of which in partial retirement	5,997	6,735	12.3
Number of civil servants with working time accounts	4,104	4,201	2.4
of which in partial retirement	1,234	1,149	–6.9

Occupational health and safety

The health and safety of our employees in the workplace is of particular importance to us and is therefore embedded in our Codes of Conduct. We comply with the Group's existing occupational health and safety policies, statutory regulations and industry standards. The Group policy on occupational health and safety defines seven core elements implemented Group-wide in our Safety First management system. The system complies with the international ISO 45001 standards, to which various business units are also externally certified. Our Supplier Code of Conduct, which is a binding part of the Group's contracts with suppliers, requires our business partners to adhere to these same high standards.

Accident prevention in the workplace is the top priority of our occupational health and safety activities. Some of our biggest challenges are in our pick-up and delivery operations. Bad weather, road work, complex traffic situations and dealing with animals require employees to pay attention, concentrate and take responsibility for themselves. The most frequent causes of accidents are slipping, tripping and falling, as well as carrying heavy objects. Accidents are analysed to determine the cause and to introduce measures aimed at continually improving safety for our employees. Additionally, we hold regular work meetings and workplace inspections and place signage at locations with greater potential hazards to increase the awareness of employees.

We measure the success of these initiatives based on the lost time injury frequency rate per 200,000 working hours (LTIFR). In the year under review, we were able to maintain the figure at the previous-year level of 3.9, as planned. Each work-related injury led to 18.3 missed workdays on average. We have set an ambitious goal for 2022: lowering the LTIFR to 3.7 despite the ongoing influence of the pandemic. Furthermore, we will step up our occupational safety and communication initiatives. We anticipate lowering this indicator to below 3.1 by 2025.

Workplace accident statistics

	2020	2021
LTIFR	3.9	3.9
of which Express	2.1	1.8
Global Forwarding, Freight	0.7	0.7
Supply Chain	0.5	0.5
eCommerce Solutions	1.4	1.8
Post & Parcel Germany	11.0	11.7
Group Functions	0.4	0.2
Working days lost per accident	17.2	18.3
Number of fatalities due to workplace accidents	5	5
of which as a result of traffic accidents	5	4

We carry out health projects and local initiatives to create a health-promoting work environment and raise awareness of a healthy lifestyle amongst our employees. Incentives are provided to local management to offer health-promoting programmes to employees and their families.

The Chief Medical Officer advises the Board of Management in all matters regarding occupational health – for instance how to deal with physical and psychological diseases in the work environment – as well as how to deal with the circumstances of a pandemic or epidemic. During the year under review, we progressed vaccination and testing of our employees at the locations throughout the Group. Some 75,000 vaccinations were given in Germany alone. The Group's worldwide sickness rate was 5.5% in the year under review, nearly the same as in the prior year (5.4%) in spite of the pandemic.

Some of our employees work in countries that offer insufficient statutory health coverage, or none at all. For this reason, we offer employees and their families in numerous countries high-quality primary or supplementary health insurance coverage at attractive terms through our Group's in-house employee benefits programme. Some 250,000 employees in 100 countries are covered by this programme.

Corporate citizenship

Contributing to economic development and social progress

We contribute to the socioeconomic development of the regions in which we operate through our sites, our employees and our business partners, thereby making a contribution to social and individual prosperity. As part of our corporate citizenship initiatives, we are leveraging our global network and the expertise of local employees in line with our purpose of "Connecting people, improving lives".

Partnerships and initiatives

Our initiatives enable us to use our strengths and capabilities to effect change locally and to work together to meet global challenges. We partner with established international organisations to ensure that our initiatives have the greatest impact possible. With GoGreen (environmental protection), GoHelp (disaster management), GoTeach (increasing employability) and GoTrade (promoting trade) we also support SDGs 4, 5, 8, 11, 13 and 17.

We dignify employee engagement through our Global Volunteer Day, the "DHL's Got Heart" initiative and the Improving Lives Fund. Volunteering encourages employees to participate in, and give back to, local communities.

Based on the Group-wide annual survey of employees, we know that corporate citizenship is a relevant factor in determining their overall level of motivation. They want to contribute to social and environmental objectives not only in their personal lives but also at work, to help society and the environment and to enhance the Group's reputation. We therefore measure the success of our initiatives using the approval rate for the survey question asking whether our employees are proud of Deutsche Post DHL Group's contribution to society. In the reporting year, 79% of all employees responded positively (previous year: 78%).

Large numbers of employees participate in the Go programmes

Our employees volunteered locally in many capacities in the reporting year. Following natural disasters, they supported locales such as Indonesia with the GoHelp programme. After the flood disaster in parts of Germany, Luxembourg and Belgium, our workforce donated generously to our "We help each other" fund. This financial support was quickly distributed to affected employees without a lot of red tape.

The GoTeach programmes were enhanced with virtual experiences, enabling us to support young people throughout the pandemic and improve their employability. Our employees in numerous countries also supported local relief organisations in their fight against COVID-19.

We expanded our newest programme, GoTrade, to additional countries, including in Africa via the Express and Global Forwarding, Freight divisions. Along with national governments and multinational organisations, we transfer knowledge about international trade to small and medium-sized companies in emerging and developing countries, thereby unlocking access to global markets.

Corporate governance

Role model for responsible corporate governance
We intend to serve both as a role model for responsible corporate governance in our sector and as a trustworthy company. Ensuring our interactions with business partners, employees, the capital market and the general public are conducted with integrity and within the bounds of the law is vital to maintaining our reputation and is the basis for sustainable business success. We take the appropriate steps to guarantee honest and transparent business practices in compliance with the law by focusing on training executives in compliance-relevant content, building cybersecurity skills, expanding sustainable and stable relationships with business partners and fully integrating ESG metrics into management processes and incentive systems.

The rules for ethical conduct included in our Codes of Conduct are further specified in our Human Rights Policy Statement, our Anti-Corruption and Business Ethics Standards Policy and our Corporate Procurement Policy. Our focus at all times is on preventing potential violations of statutory requirements and internal guidelines.

Corporate Internal Audit evaluates the effectiveness of our risk management system, control mechanisms, and management and monitoring processes, contributing to their improvement. It does this by performing independent regular and ad hoc audits at all Group companies and at corporate headquarters with the authority of the Board of Management. The audit teams discuss the audit findings and agree on measures for improvement with the audited organisational units and their management. The Board of Management is regularly informed of the findings. The Supervisory Board is provided with a summary once a year.

Trusted business partner thanks to compliance
We render all of our services in compliance with current legislation and in accordance with our own values. Compliance includes legally required disclosures relating to anti-corruption and -bribery matters. We observe all applicable international anti-corruption standards and statutes and are a member of the Partnering Against Corruption initiative of the World Economic Forum.

Ensuring legally compliant conduct in our business activities and in our interactions with employees is an essential task of all Group management bodies. In line with our objective, participation of executives in middle- and upper-level management in various types of compliance training is mandatory. We believe one thing: managers have to be well informed to identify potential compliance risks and ensure that such risks are mitigated appropriately.

The foundation to this approach is our compliance training comprising our Core Compliance Curriculum (anti-corruption training, competitive compliance, Code of Conduct) and data protection training. All participants who have already completed their training must update their certification every two years. Starting in the 2022 financial year we will use the share of valid training certificates amongst executives in middle- and upper-level management as a management-relevant KPI.

With our compliance management system (CMS) we have implemented effective measures for the prevention of corruption and bribery throughout the Group. Responsibility for designing the system lies with the Chief Compliance Officer. Uniform minimum standards are laid down in the CMS and accompanied by related activities initiated by the compliance officer in the divisions.

Our Code of Conduct and Anti-Corruption Policy, along with training on these topics, help employees identify situations in which the integrity of the company could be called into question with respect to relevant third parties. Potential violations can be reported around the clock, including via a special web application, among other things. External whistle-blowers can use a form on the Group's website. The reported tip-offs are reviewed internally for possible

Corporate governance

Topic	Measure	Target for 2022
Compliance (including anti-corruption and -bribery matters)	Participation of executives in middle- and upper-level management in compliance training	Share of valid training certificates in middle and upper management[1] is at least 97%

[1] Management indicator starting in 2022.

violations using a standardised process. Information on relevant violations is collected and included in the regular compliance reports made to the Board of Management and to the Supervisory Board's Finance and Audit Committee, Report of the Supervisory Board.

In the interest of raising awareness of compliance amongst employees, four Compliance Weeks were carried out for the first time in the year under review. These were cross-divisional and were held in various regions. Communications activities included town hall meetings with Board of Management members and round tables with executives and divisional compliance officers. In addition, campaigns were launched via in-house communication channels to increase participation, primarily virtually in view of the continuing pandemic.

The compliance training certification rate was 96% in middle and upper management in the year under review. We anticipate that at least 97% valid training certification in middle- and upper-level management will be available in 2022.

In the context of its 207 audits, Corporate Internal Audit also reviewed compliance management system processes and the implementation of agreed follow-up measures. Findings from the regular audits facilitate the identification of other compliance risks and the refinement of the compliance programme.

Respecting human rights

Our commitment to respect for human rights includes adherence to the principles of the UN Global Compact and the International Labour Organization (ILO), which we have embedded in our Codes of Conduct and outlined in greater detail in our Human Rights Policy Statement. These stipulate clear requirements and responsibilities for our employees and executives as well as our business partners, and contribute to the general understanding and implementation of the principles of the UN Global Compact throughout the Group. The policy statement applies to all employees and executives, and also clarifies our expectations and goals for our business partners.

Our human rights activities focus on the prevention of child and forced labour, decent working conditions (remuneration, working hours, occupational health and safety) and the right to freedom of association. Our executives play a key role when it comes to implementing our values and objectives, so we have made the Code of Conduct an integral component of their employment contracts. The Supplier Code of Conduct is a binding component of the Group's contracts with suppliers, including subcontractors. By signing, they commit to complying with our ethical and environmental principles and implementing them in their own supply chains.

The internal management system ensures that our Human Rights Policy Statement is implemented throughout the Group. A key component is training initiatives and on-site reviews conducted by specially trained and externally certified professionals from the divisions and corporate headquarters. A risk-based approach is taken to the selection of countries and locations for the on-site reviews based on internal criteria, such as number of employees, as well as external criteria from Verisk Maplecroft's Human Rights Index and Transparency International's Corruption Perceptions Index. Additionally, we consider suggestions from international trade union confederations. The Employee Relations Forum is tasked Group-wide with ensuring respect for human rights in the workforce.

Under the leadership of the HR department, on-site reviews were held in ten countries in the reporting year. These were conducted virtually due to pandemic-related travel restrictions. Some cases of non-compliance with working time regulations and knowledge gaps concerning occupational safety requirements were identified and subsequently rectified by way of a structured action plan. Additional employees were certified according to the SMETA standard, so that the annual number of on-site reviews can be increased. Moreover, we developed a training modality we aim to use to raise employee awareness of the need to respect human rights. Participation is recommended for all employees and is mandatory for executives. The initiative will be launched and communicated to the company in 2022. We also participated in Human Rights Day on 10 December with internal and external communication campaigns.

When selecting suppliers, Corporate Procurement generally prefers those who meet our standards. Supplier selection is based on a standardised multistep assessment process. Procurement employees are continually trained to identify potential supplier-related risks early on. In the year under review, Corporate Procurement improved the transparency of the existing due diligence process by including respect for human rights as well as diversity and inclusion. Amongst other things, the Supplier Code of Conduct and corresponding training module were made available in additional languages and the reporting process for possible violations of the code or legal requirements was opened up to third parties. In addition, we began developing a Group-wide risk management system for uniform supplier assessment.

In addition, Corporate Internal Audit conducted 19 audits relating to respect for human rights and verified that the agreed follow-up measures had been implemented.

Cybersecurity

Our cybersecurity management activities protect the information of the Group, our business partners and our employees as well as IT systems from unauthorised access or manipulation and data misuse, ensures uninterrupted availability and enables reliable operations. Our internal guidelines and processes are closely aligned with ISO 27002 and our data centres are certified in accordance with ISO 27001.

The central functions of Group Chief Information Security Officer, IT Audit, Data Protection and Corporate Security, as well as the corresponding divisional functions, monitor and assess threats and new potential risks on an ongoing basis and ensure compliance with security standards. We limit access to our systems and data such that employees can only access the data they need to perform their duties. All systems and data are backed up on a regular basis, and critical data are replicated across data centres. Additionally, by performing regular software updates, we can fix potential security vulnerabilities and protect system functionality.

Communication measures, regular phishing and IT crisis simulations and training sessions help employees and executives alike become more aware of possible cybersecurity risks. Participation in Information Security Awareness training is mandatory for all employees with a computer workstation. All participants who have already completed their training must update their certification every two years. In the reporting period, the share of valid training certificates amongst middle- and upper-level management was 98%.

Tax strategy as a standard adhered to worldwide

Our tax strategy is aligned with our Group strategy and must be adhered to throughout the Group. The overarching approach applied by the Group is that taxes are always incidental to and follow business needs. We do not undertake aggressive tax planning or enter into artificial arrangements with the goal of avoiding taxes. Our Group maintains locations in more than 220 countries and territories, including some with lower tax rates than those in Germany. These locations are necessary for carrying out our operational business in those regions. None of our companies was established with the purpose of obtaining tax benefits or is currently used to pursue aggressive tax structuring.

In interpreting and applying tax legislation, we do not merely follow the letter of the law, but also consider its spirit and intended purpose. As a globally active group of companies, our activities necessarily include operations in countries where uncertainty is high. We mitigate this uncertainty through continual dialogue with tax authorities and tax advisers to obtain the greatest possible degree of legal certainty. This allows us to meet tax compliance requirements in the countries in which we operate to the best of our knowledge and belief. Our Group risk management system incorporates a tax risk management framework that enables us to monitor and avoid tax risk as far as possible.

In the reporting period, we recognised taxes and social security contributions totalling €4,566 million.

Taxes and social security contributions

€m

	2020	2021
Income taxes paid	754	1,323
Other business taxes	306	322
of which taxes on capital, real estate and vehicles	132	133
other operating taxes	174	189
Employer's social security contributions	2,705	2,921
Total	**3,765**	**4,566**

EU Taxonomy

Starting with the reporting period, we are reporting our contribution to the European Union's environmental objectives of climate change mitigation and climate change adaptation according to the guidelines laid down in the EU Taxonomy regulation for the first time. To this end, we have comprehensively analysed our economic activities and the revenue they generate, as well as our capital expenditure (capex) and operating expenditure (opex), and determined the shares that qualify as taxonomy-eligible.

In the year under review, we developed a Group policy to uniformly implement calculation and documentation rules for the taxonomy-eligible shares of revenue, capex and opex in our financial and controlling systems. Prior to doing so, we conducted an extensive analysis of the reporting processes and relevant posting accounts to enable assignment of economic activities to the individual economic activities described in the EU Taxonomy. In doing so, we assign our transport services (Sections 6.2, 6.4, 6.5, 6.6, 6.10) including the required infrastructure (Section 6.15) to the transport sector, whilst we allocate real estate not used for transportation activities (Sections 7.1, 7.2, 7.7) to the construction and real estate sector.

Some of our services comprise different taxonomy-eligible economic activities. In the cases where one-to-one allocation is not possible, we primarily use a cost-based allocation logic that reflects the different business models of the divisions. We avoid double counting by allocating revenue, capex and opex to only one economic activity respectively.

During the year under review, in particular the revenue from warehousing in the Supply Chain division as well as revenue, capex and opex from air freight in the Express and Global Forwarding, Freight divisions was classified as taxonomy non-eligible. Neither of these economic activities is currently reflected in the EU Taxonomy guidelines.

The European Commission has announced further acts and clarifications for the application and interpretation of the existing guidelines, which will address additional environmental goals as well as adapt previous guidelines which, in future, could have an impact on the information to be reported.

Taxonomy-eligible share of economic activities, 2021
According to Regulation (EU) 2020/852, Article 8

€m	Amount	Share (%)
Revenue[1]	**81,747**	**100**
of which taxonomy-eligible	45,653	56
taxonomy non-eligible	36,094	44
Capital expenditure[2]	**6,979**	**100**
of which taxonomy-eligible	4,467	64
taxonomy non-eligible	2,512	36
Operating expenditure[3]	**2,337**	**100**
of which taxonomy-eligible	1,441	62
taxonomy non-eligible	896	38

[1] Revenue according to the Income statement.
[2] Includes investment properties (IAS 40) in addition to the capital expenditure reported in accordance with segment reporting, note 10 to the consolidated financial statements.
[3] Investment-related operating expenditure, especially non-capitalised lease expenses, repair and maintenance costs.

EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Forecast period

The information contained in the report on expected developments generally refers to the 2022 financial year.

Future economic parameters

Further GDP increase on back of above-average, medium-term e-commerce growth

Following the robust economic recovery in the reporting period, worldwide growth is expected to continue in 2022. However, as indications showed in the second half of 2021, GDP growth will slow to some 4%, which is still approximately one percentage point above the long-term trend.

IHS Markit has forecast the following GDP growth for key countries and regions in 2022: China is anticipated to post growth of 5.3%, moderate for Chinese standards, after its race to catch up in 2021. At 3.7%, growth in the United States is likely to far outpace the prevailing trend once again for reasons including fiscal policy. A rate of 2.9% is forecast for Japan. Growth of 3.7% is predicted for the eurozone. IHS Markit has recently projected growth of 3.4% for the German economy, a conservative estimate in view of the higher forecasts issued by the IMF in January 2022 (3.8%) and even by the German Council of Economic Experts in November 2021 (4.6%).

A sustained global driver of growth will continue to be the structural shift in consumer habits towards e-commerce. The current stabilisation phase reflects the unusually high growth in the early phase of the pandemic. During 2022 e-commerce demand is projected to grow once more based on increased market volumes and to make a disproportionately high contribution to GDP growth in the medium term.

Highly cyclical international express market

Experience shows that growth in the international express market, particularly in the B2B segment, is highly dependent upon the economic situation. We believe that the steadily growing cross-border e-commerce sector will continue to drive growth in the international express market in 2022.

Air and ocean freight business dependent upon the easing of the capacity situation

Particularly with regard to the core business of air and ocean freight, the further development will depend significantly on when and how rapidly the capacity, inclusive of vessels and aircraft, return to normal. In light of the uncertain market situation, this remains difficult to predict. Despite this, the trend is towards a gradual return to normalisation in the second half of the year.

Of additional significance for the air cargo market is how quickly passenger flights resume, which is closely linked to how the pandemic develops.

The acquisition of Hillebrand aligns with our long-term strategy to create a relevant footprint in the fast-growing ocean freight market.

We expect volume growth in the European road transport market to persist at high levels in 2022 as well and prices to increase accordingly.

Contract logistics market continues to grow

Growth in eFulfillment and e-commerce as initially accelerated by the pandemic will continue to increase the complexity of supply chains. This, together with the apparent vulnerability of tranditional supply chain set-ups, will increase the demand for flexible and agile solutions, driving outsourcing. Therefore the market for contract logistics is likely to continue growing, yet inflation due to scarcity of labour and capacity represents both an opportunity and a threat.

Good growth prospects for eCommerce Solutions

Growth of our eCommerce Solutions division is dependent on local as well as global economic trends. The ongoing pandemic and pandemic-related restrictions have continued to strengthen the trend towards online shopping and again drove strong volume growth across the business in the year under review. In all regions, especially in the B2C e-commerce sectors, increases in shipping volumes exceeded expectations in 2020 and 2021. This trend stabilised and reached normal levels in the later part of the year under review. We expect this trend to continue after a normalisation phase during the course of the year and are confident that our product portfolio, our digitalisation activities, network and automation investments and our focus on quality and customer-centric solutions will continue to contribute to the overall growth in 2022.

Pandemic reinforces trend towards online shopping

The German market for paper-based mail communication will continue to decline as digital communication increases. As part of our digital transformation agenda for Post & Parcel Germany, we will be realigning our product portfolio to reflect the rise in online communication.

Revenue from the German advertising market will continue to grow in 2022, driven by the sustained growth in online media and the recovery of media segments particularly affected by the pandemic.

In the international letter mail business, rising shipments of goods are expected to compensate somewhat for declining volumes of small-format documents. Whether the compensatory effect is stronger or weaker will depend on developments in cross-border trade restrictions and air freight capacity.

The German parcel market will continue to grow. The shift from in-store to online shopping has now become established for many types of goods. Additional categories of products and customers of various ages have joined online shopping during the pandemic. After a phase of growth normalisation, we expect further growth to be driven by e-commerce in the medium term.

Expected developments

Sustained earnings growth

In the 2022 financial year, we expect continually increasing B2B volumes to remain a key growth driver in our networks. After rising sharply under pandemic conditions, B2C delivery volumes are forecast to return to structural growth after a stabilisation phase during 2022. The recently observed imbalances in international transport markets will remain in place well into 2022.

Consolidated EBIT of around €8.0 billion expected

In the 2022 financial year, we anticipate consolidated EBIT of around €8.0 billion (+/– max. 5%). The DHL divisions are projected to generate total EBIT of approximately €7.0 billion (+/– max. 4%). In the Post & Parcel Germany division, EBIT is forecast to come in at around €1.5 billion (+/– max. 10%). The earnings contributed by Group Functions (formerly: Corporate Functions) is expected to amount to around €–0.45 billion.

Proposed dividend: €1.80 per share

The Board of Management and the Supervisory Board will propose a dividend of €1.80 per share for the 2021 financial year (previous year: €1.35 per share) to the shareholders at the Annual General Meeting on 6 May 2022.

Group's credit rating remains the same

Against the backdrop of the sharp rise in free cash flow, we anticipate our FFO-to-debt performance indicator to remain stable even considering the increased dividend payment and purchase price payment for Hillebrand. We expect no change in our current credit rating by rating agencies as a result.

Liquidity remains very solid

Due to the dividend payment for the 2021 financial year in May 2022, the repayment of a bond in June 2022 and the expected closing of the Hillebrand acquisition, our liquidity is expected to decrease up to mid-year 2022. Due to the usually good business development in the second half of the year, the liquidity situation will improve again towards the end of the year.

Capital expenditure to total around €4.2 billion

In order to further support our strategic aims and further growth even at the expected higher level, we intend to increase capital expenditure (excluding leasing) in 2022 to around €4.2 billion with a similar focus as in prior years.

Expected EAC and free cash flow

In view of the expected EBIT development in combination with a predicted increase in the asset charge, we expect the EAC to be slightly down year-on-year. Free cash flow (excluding the purchase price payment for Hillebrand) is projected at around €3.6 billion (+/– max. 5%).

GHG emissions remain at a high level

Beginning in 2022, absolute GHG emissions will become the new efficiency target which we manage with the KPI Realised Decarbonisation Effects.

On the way to reducing our GHG emissions to net zero by 2050, we still expect to see an increase in emissions in 2022 due to the planned business growth. We aim to achieve Realised Decarbonisation Effects of 969 kilotonnes of CO_2e through targeted measures. By 2030, we plan to reduce our GHG emissions to less than 29 million tonnes CO_2e overall. These efforts also take into consideration the GHG emissions of our subcontractors.

Continued strong employee engagement
With regard to the Employee Engagement key performance indicator, we anticipate an approval level of more than 80% across the Group in 2022; this level is expected to remain steady until 2025.

Increase share of female executives
From the 2022 financial year, the share of women in middle and upper management positions becomes a management-relevant KPI. In 2022, 25.9% of the positions in middle and upper management will be held by women. That share should rise to at least 30% by 2025.

Reduce LTIFR
We use the LTIFR per 200,000 working hours to assess the success of the measures we take towards occupational health and safety. This will become a management-related KPI beginning in 2022. We expect to reduce the LTIFR per 200,000 working hours to 3.7 throughout the Group in 2022; by 2025, the KPI should be less than 3.1.

Conduct compliance-relevant training
Our aspiration is to be a reliable and trustworthy partner in all business relationships. When conducting day-to-day business, our managers serve an important function as role models to the employees and business partners, which is why corresponding training is of such importance for executives. We measure success in this area on the basis of the share of valid training certificates at the middle and upper management levels. This is yet another KPI that will be used to manage the Group in the upcoming financial year. We anticipate the share of valid training certificates to be at least 97% in middle and upper management in 2022.

Opportunity and risk management

Uniform reporting standard
As an internationally operating logistics company, we are facing numerous changes. Our aim is to identify the resulting opportunities and risks at an early stage and take the necessary measures in the specific areas affected in due time to ensure that we achieve a sustained increase in enterprise value. Our Group-wide opportunity and risk management system facilitates this aim. Each quarter, executives 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.

In 2021 we launched a Group-wide project to comply with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This involves discussing and assessing both transitory and physical risks stemming from climate change using various scenarios. The material risks identified during this process are explained in “Opportunity and risk categories”.

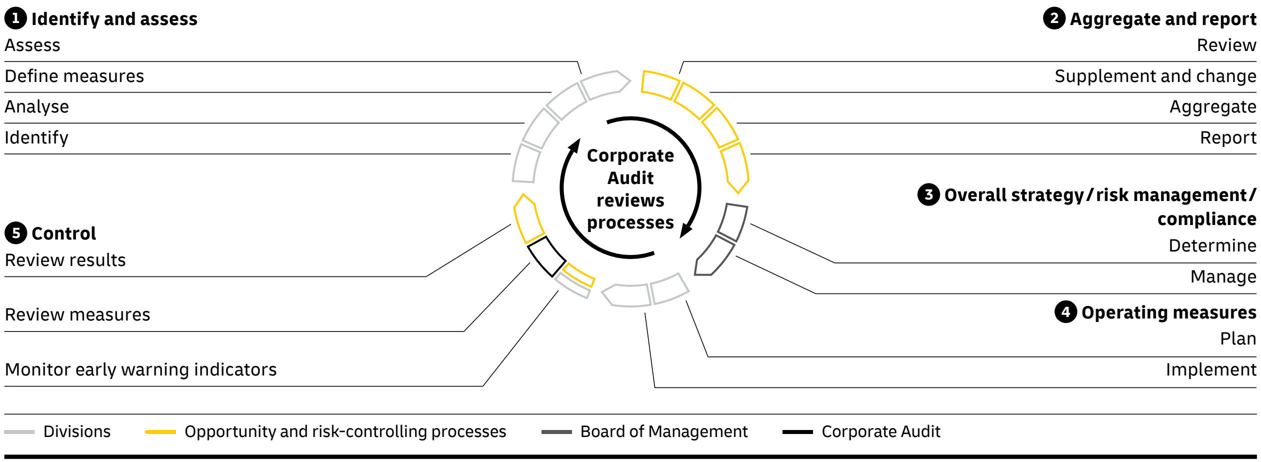
Our early-identification process links the Group’s opportunity and risk management with uniform reporting standards using a proprietary IT application that is constantly updated. Furthermore, we use a Monte Carlo simulation for the purpose of aggregating opportunities and risks in standard evaluations.

The simulation is a stochastic model that takes the probability of occurrence of the underlying risks and opportunities into consideration and is based upon the law of large numbers. Randomly selected scenarios – one for each opportunity and risk – are combined on the basis of the distribution functions for each individual opportunity and risk.

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

1. **Identify and assess:** Managers in all divisions and regions evaluate the opportunity and risk situation on a quarterly basis and document the actions taken. They use scenarios to assess best, expected and worst cases. Each identified risk is assigned to at least one risk owner who assesses and monitors the risk, specifies possible procedures for going forward and then files a report. The same applies to opportunities. At least one management process used to measure net risk exposure must be reported for each opportunity or risk. In isolated cases where it is not initially possible to make

Opportunity and risk management process



a quantitative assessment, risks may be assessed on a qualitative basis to ensure that the full scope of all risks is captured. The results are compiled in a database. We also conduct an annual risk workshop for each division with the Divisional Boards, as supplements to the quarterly process. Workshop discussion focuses on opportunities and risks of significance to the whole division. At the same time, newly identified opportunities and risks are subsequently integrated into the quarterly process.

2 **Aggregate and report:** The controlling units collect the results, evaluate them and review them for plausibility. If individual financial effects overlap, this is noted in our database and taken into account in the compilation process. After being approved by the division risk owners, all results are passed on to the next level in the hierarchy. The last step is complete when Corporate Controlling reports to the Group Board of Management and the Supervisory Board 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 the key organisational levels. We use two methods for this. In the first method, we calculate a possible spectrum of results for the divisions and combine the respective scenarios. The totals for “worst case” and “best case” indicate the total spectrum of results for the respective division. Within these extremes, the total “expected cases” shows current expectations. The second method makes use of a Monte Carlo simulation, the divisional results of which are regularly included in the opportunity and risk reports to the Board of Management and the Supervisory Board.

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 the Board of Management with an additional, regular source of information for managing the Group as a whole. The Group Board of Management defines the thresholds for risk tolerance and risk-bearing ability and uses the Monte Carlo simulation to review the necessity for strategic changes on a quarterly basis.

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:** With respect to key opportunities and risks, early-warning indicators have been defined that are monitored constantly by the risk owners. Corporate 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 Corporate Internal Audit and the independent auditor, with the goal of identifying potential for improvement and making adjustments to processes where necessary.

Accounting-related internal control and risk management system

Disclosures required under Sections 289(4) and 315(4) HGB and explanatory report

Deutsche Post DHL Group has implemented an accounting-related internal control system (ICS) as part of its risk management system. The ICS aims to ensure the compliance of (Group) accounting and financial reporting with generally accepted principles. Specifically, it is intended to ensure that all transactions are recorded promptly, accurately and in a uniform manner on the basis of the applicable norms, accounting standards and internal Group regulations. Accounting errors are to be avoided in principle and significant measurement errors detected promptly.

The ICS was designed to follow the internationally recognised COSO framework for internal control systems (COSO: Committee of Sponsoring Organizations of the Treadway Commission). It is continuously updated and is a mandatory and integral part of the accounting and financial reporting process of the companies included in the Group.

The approach of the accounting-related ICS in summary:

- The internal control system takes a risk-based approach that is defined in a Group guideline and takes both quantitative and qualitative aspects into account.
- Risks that could lead to material misstatements in the financial reports are identified and minimum requirements are formulated on the basis of such risks.
- Both preventive and detective control mechanisms are used to ensure that the minimum requirements are met along with all division-specific and local requirements.
- To maintain the system's effectiveness and implement continuous improvements, the ICS is subjected to regular reviews using the "four eyes" principle of dual control.
- The Supervisory Board is provided with regular reports on the results of the review of ICS effectiveness.

In addition to the ICS components already described, additional organisational and technical procedures have been implemented for 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. In addition, German generally accepted accounting principles (GAAP) have been established for Deutsche Post AG and the other Group companies subject to HGB reporting requirements. A standard chart of accounts is required to be applied by all Group companies. We immediately assess new developments in international accounting for relevance and announce their implementation in a timely manner, for example in monthly newsletters. Often, accounting processes are pooled in a shared service centre in order to centralise and standardise them. The IFRS financial statements of the individual Group companies are recorded in a standard, SAP-based system and then processed at a central location where one-step consolidation is performed. Other quality assurance components include automatic plausibility reviews and system validations of the accounting data. In addition, regular, manual checks are carried out centrally at the Corporate Center by Corporate Accounting & Controlling, Taxes and Corporate Finance. If necessary, we call in outside professionals with the requisite expertise. Finally, the Group's standardised process of preparing financial statements by using a centrally administered financial statements calendar guarantees a structured and efficient accounting process.

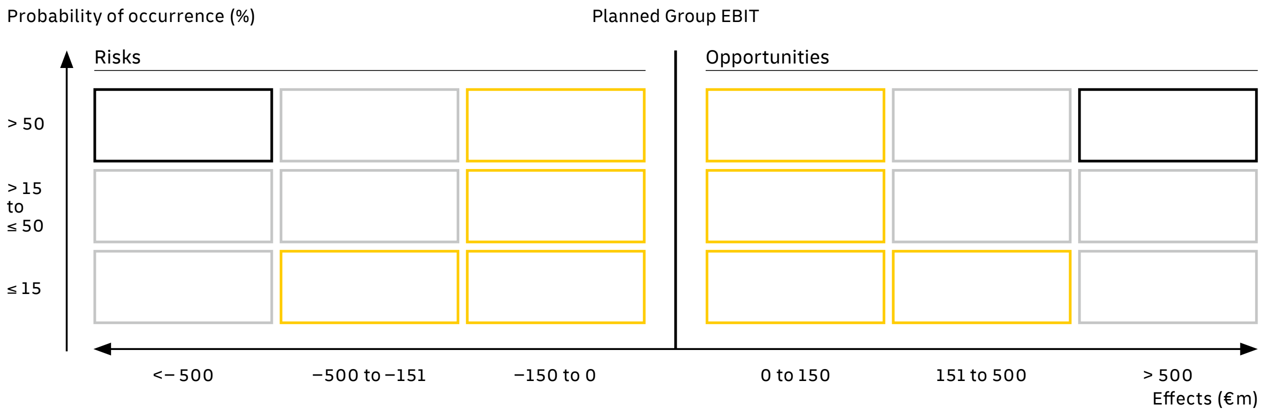
Over and above the ICS and risk management, Corporate Internal Audit is an essential component of the Group's control and monitoring system. Using risk-based auditing procedures, Corporate Internal Audit regularly examines the processes related to financial reporting and reports its results to the Board of Management.

It should, however, always be taken into consideration that no ICS, regardless of how well designed, can offer absolute certainty that all material accounting misstatements will be avoided or detected.

Reporting and assessing opportunities and risks

In the following, we have reported mainly on those risks and opportunities which, from a current standpoint, could have a significant impact upon the Group during the forecast period beyond the impact already accounted for in the business plan. In addition, we consider both long-term as well as latent opportunities and risks. The risks and opportunities have been assessed in terms of their probability of occurrence and their impact. The assessment is used to classify opportunities and risks as either low, medium or high. Medium and high risks and opportunities are considered significant, and are shown as black or grey in the following table. The following assessment scale is used (measured on a net basis):

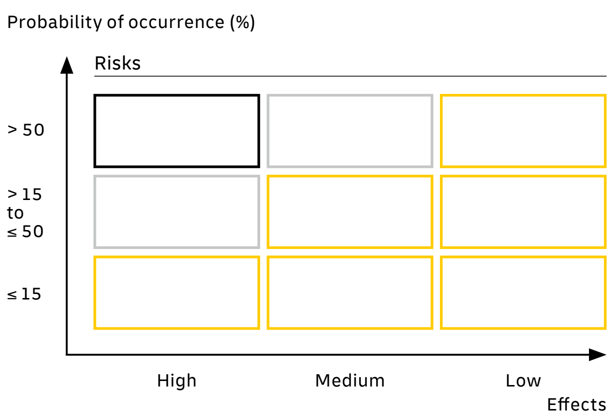
Classification of risks and opportunities



Significance for the Group: Low Medium High

The following assessment scale applies to qualitative risk (measured on a net basis):

Assessing qualitative risk



Significance for the Group: Low Medium High

High-impact risks tend to affect the entire Group, whereas medium-impact risks play out at a divisional level and low-impact risks at a local level. Qualitative risk can be measured for financial risk, reputational risk, operational risk and environmental risk.

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

Opportunities and risks are identified and assessed decentrally at Deutsche Post DHL Group. Reporting on possible deviations from projections, as well as long-term and latent opportunities and risks, occurs primarily at the country or regional level. In view of the degree of detail provided in the internal reports, we have combined the decentrally reported opportunities and risks in categories for the purposes of this report. It should be noted that the figures provided in the underlying individual reports exhibit a significant correlation with the performance of the world economy and global economic output. Unless otherwise specified, a low relevance is attached to the individual opportunities and risks within the respective categories. The opportunities and risks generally apply to all divisions, unless indicated otherwise.

Opportunity and risk categories

Overview of material opportunities and risks
As outlined on the pages that follow and listed in the overview below, we have assigned material opportunities and risks to the following categories:

Overview of opportunities and risks

Category	Opportunity / risk	Significance
Corporate strategy	n.a.	–
Legal and compliance-related	n.a.	–
Capital expenditure and projects	n.a.	–
Operational	Risk of operational restrictions due to climate change	Medium
Human resources	n.a.	–
Information technology	IT security incident	Medium
Financial	Currency effects (opportunity and risk)	Medium
Tax-related	n.a.	–
Real estate	n.a.	–
Market- and customer-specific	Inflation Availability of sustainable aviation fuels (SAF)	Medium Medium
Regulation	Pricing approval action Carbon tax Restriction of GHG emissions	Medium Medium Medium
Environment, catastrophes and epidemics	COVID-19	Medium

Opportunities and risks arising from corporate strategy
Over the past few years, the Group has ensured that its business activities are well positioned in the world's fastest-growing regions and markets. We are also constantly working to create efficient structures in all areas to enable us to flexibly adapt capacities and costs to demand – a condition for lasting, profitable business success. With respect to our strategic orientation, we are focusing upon our core competencies in the logistics and letter mail businesses with an eye towards growing organically and simplifying our processes for the benefit of our customers. Our earnings projections regularly take account of development opportunities arising from our strategic orientation.

We take action early to counter potential strategic risks. In so doing, it helps that our portfolio of users and supplier companies are as broad as possible and that we focus on profitable sectors and products, regularly review customer and product performance, practice strict cost management and add surcharges whenever necessary.

In the Express division, our future success depends above all upon general factors such as trends in the competitive environment, costs and quantities transported. We plan to keep growing our international business and expect a further increase in shipment volumes. Based upon this assumption, we are investing in our network, our services, our employees and the DHL brand.

In the Global Forwarding, Freight division, we purchase transport services for interested buyers from airlines, shipping companies and freight carriers rather than providing them ourselves. In the best case, we are able to outsource transport services at such a low rate that we can generate a margin. In the worst-case scenario, we bear the risk of not being able to pass on all price increases to our customers. The extent of our opportunities and risks essentially depends on trends in the supply, demand and pricing of transport services as well as the duration of our contracts. Comprehensive knowledge in the area of brokering transport services helps us to capitalise on opportunities and minimise risk.

In the Supply Chain division, our success is highly dependent on our customers' business performance. Since we offer companies a widely diversified range of products in different sectors all over the world, we are able to diversify our risk portfolio and thus counteract the incumbent risks. Our future success moreover depends on our ability to continuously improve our existing business, seamlessly integrate new business and grow in our most important markets and segments.

The eCommerce Solutions division is responsible for domestic and international non-time-definite standard parcel delivery services in various countries around the globe. It predominantly serves customers in the fast-growing e-commerce sector. Our goal is to leverage our international resources and services to build a cross-border solutions platform that can be connected to the most cost-efficient networks for last-mile delivery. We want to grow profitably in all sectors and segments. We took measures to counteract the fundamental risk of rising cost pressure and to improve network efficiency and cost flexibility.

In the German mail and parcel business, we are responding to the challenges posed by the structural shift from a physical to a digital business and the continual decline in letter mail occurring parallel to the steady increase in volumes of parcels and merchandise mail items. 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 in the coming years and are therefore expanding our parcel network. We are also expanding our range of electronic communications services, securing our standing as a quality leader and, where possible, making our transport and delivery costs more flexible. We follow developments in the market very closely and take them into account in our earnings projections.

We currently do not see any specific corporate strategy opportunities or risks of material significance, either for the Group or individual divisions.

Legal and compliance-related opportunities and risks

Legal disputes or legal proceedings may arise or be initiated in cases of non-compliance with national or international laws, regulations or agreements. Examples are violations of antitrust and competition law or of regulatory, statutory or contractual requirements. Investigations of any such violations may cause considerable (financial) sanctions to be imposed in the context of legal proceedings or out-of-court settlements.

We have established a corporate compliance unit to monitor adherence to Group-wide standards at both Group and divisional level with respect to typical compliance risks. The compliance unit monitors adherence to external laws and regulations and our corresponding internal policies to prevent risks from materialising. In addition to our compliance initiative aimed at fighting corruption and violations of cartel and competition law, we have introduced initiatives in all divisions intended to ensure compliance with data protection laws – for example to ensure adherence to the provisions of the European Union's General Data Protection Regulation (GDPR). A similar, Group-wide compliance initiative aims to ensure adherence to international and national export controls and embargo regulations.

At present, we do not see any specific legal or compliance-related opportunities or risks of material significance.

Opportunities and risks arising from capital expenditure and projects

Our Group invests in growing our network, in buildings and technical equipment, in IT solutions and in our fleet of vehicles and freight carriers. This can lead to risk in the event of deviations from budgets. Deviations from time frames and in implementation could impair the continuity and quality of the services we provide. Complex projects or a lack of resource availability may likewise lead to deviations from budgets or time frames. The Group is constantly on the lookout for attractive, financially advantageous investment options to firm up our divisions' positioning.

Project management and project and investment monitoring keep a constant watch on the status of investments and current projects in order to identify risks at an early stage so that targeted countermeasures can be taken. We report regularly to the Group Board of Management on the status of projects under monitoring in our reporting system. The Supervisory Board is additionally provided with regular, comprehensive reports on the Group's biggest projects. Moreover, the Group Board of Management is informed promptly of any critical projects.

We do not currently see any specific opportunities or risks of material significance in the area of capital expenditure and projects.

Operational opportunities and risks

Logistics services are generally provided in bulk and require a complex, external operational infrastructure with high quality standards. Any weaknesses with regard to the tendering, sorting, transport, warehousing, customs clearance or delivery of shipments could seriously compromise our competitive position. To consistently guarantee reliability and punctual delivery, processes must be organised so as to proceed smoothly with no technical or personnel-related glitches. We counteract potential operational risks, e.g. through efficient workflows and structures and by continuously improving our fleet management. We also take out insurance policies to guard against potential losses.

Most recently, the global pandemic has revealed how external factors can reduce the availability of our employees and hence potentially impair our operating performance. For information on the measures we are taking to protect our employees, please refer to the category titled "Human resources" and "Environment, catastrophes and epidemics".

A large number of internal processes must be aligned so that we can render our services. These include – in addition to our fundamental operating processes – supporting functions such as sales and purchasing. The extent to which we succeed in aligning our internal processes to meet customer needs whilst simultaneously lowering costs correlates with potential positive deviations from the current projections. Our earnings projections already incorporate the expected cost savings.

Increased restrictions imposed by law to combat climate change can be expected in the coming years, including limits on air transport or access to city centres. In certain cases this may also affect our business models. The resulting risk represents a risk of medium significance for us currently. At this time we do not see any additional specific operational opportunities or risks of material significance in this regard.

Opportunities and risks arising from human resources

It is essential for us to have qualified and motivated employees in order to achieve long-term success. In some markets, however, demographic change may lead to a scarcity of available workers.

Our work in the area of human resources aims to avoid potential risk that may arise from changing demographic and social structures. The goal is to motivate our personnel, to provide them with employee development opportunities and to foster their long-term loyalty to the company. Of particular importance in this context is training management and team leaders in our leadership attributes, which are applicable to all Group executives and serve as a behavioural compass.

We keep a constant eye on developments in the job market, communicate directly with our employees and endeavour to further enhance our attractiveness to both existing and prospective employees.

Chronic disease or acute illnesses on the part of employees may negatively impact their health and our ability to provide our services. We therefore place high value on occupational health and safety standards. We additionally counter the risk of disease or illness by carrying out initiatives tailored to local requirements and by cooperating across divisions in the management of healthcare initiatives, such as app-supported exercise programmes, options to have check-ups performed on-site and the Group-wide employee benefits programme. In addition, we address risk in the area of mental health using a new system for assessing risks associated with mental stresses.

With approximately 590,000 employees (headcount as at 31 December 2021) in over 220 countries and territories, upholding human rights is an important priority also reflected in our own Human Rights Policy Statement. If infringements are reported, we will take appropriate measures for clarification.

Thanks to a targeted and coordinated approach, we were able to limit the impact of the pandemic in the year under review without generating any serious repercussions for our sickness rate. We foresee similar results for 2022.

Overall, we do not currently see any specific personnel-related opportunities or risks of material significance.

Opportunities and risks arising from information technology

The security of our information systems is particularly important to us. The goal is to ensure continuous IT system operation and prevent unauthorised access to our systems and databases. To this end, we have defined guidelines, standards and procedures based upon ISO 27001, the international standard for information security management. In addition, IT risks are monitored and assessed on an ongoing basis by Group Risk Management, Internal Audit, Data Protection and Corporate Security. We estimate the latent risk of third parties gaining unauthorised access to our systems and jeopardising the availability of our data as medium.

For our business processes to run smoothly at all times, the essential IT systems must be continuously available. We have therefore designed our systems to protect against complete system failure. 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.

We limit access to our systems and data such that employees can only access the data they need to perform their duties. All systems and data are backed up on a regular basis, and critical data are replicated across data centres. In addition to outsourced data centres, we operate central data centres in the Czech Republic, Malaysia and the United States. Our systems are thus geographically separate and can be replicated locally. Overall, a possible IT security incident represents a risk of medium importance.

We also take continuous action to minimise risk, such as holding regular training courses for our employees and monitoring all of our networks and IT systems globally via our Cyber Defence Centre, along with regular information security incident simulations.

We currently do not see any other specific IT-related opportunities or risks of material significance.

Financial opportunities and risks

As a global operator, we are exposed to financial opportunities and risks arising from fluctuating foreign exchange rates, interest rates and commodities prices, as well as the general risk inherent in the use of financial instruments. Changes in pension obligations also impact our business. We attempt to reduce the volatility of our financial performance due to financial risk by implementing both operational and financial management measures.

With respect to currencies, opportunities and risks result from scheduled foreign currency transactions as well as those budgeted for the future. Any significant currency risks arising from budgeted transactions are quantified as a net position over a rolling 24-month period. Highly correlated currencies are consolidated in blocks. At the Group level, the most important net surpluses are budgeted for the US dollar block as well as for the pound sterling, the Japanese yen and the Australian dollar. The Czech koruna is the only currency with a considerable net deficit. As at the reporting date, there were no significant currency hedges for scheduled foreign currency transactions.

Any general depreciation of the euro presents an opportunity as regards the Group's earnings position. The main risk to the Group's earnings position would be a general appreciation of the euro.

We currently assess the aggregate effect of all foreign currency gains and losses both as an opportunity and a risk of medium relevance for the Group.

As a logistics group, our biggest commodity price risks result from changes in fuel prices (kerosene, diesel and marine diesel). In the DHL divisions, most of these risks are passed on to customers via operating measures (fuel surcharges).

The key control parameters for liquidity management are the centrally available liquidity reserves. The Group's liquidity is secured over the short and medium terms. Moreover, the Group enjoys open access to the capital markets on account of its good ratings within the industry and is well positioned to ensure that long-term capital requirements are fulfilled. We therefore see no significant risk to the Group at present in the area of liquidity.

Further information on the Group's financial position and finance strategy as well as on the management of financial risks can be found in the Report on economic position and in note 43 to the consolidated financial statements. Detailed information on risks in relation to the Group's defined benefit retirement plans can be found in note 37 to the consolidated financial statements.

Risk may also arise from our financial and managerial accounting processes and our budgetary processes. We monitor those processes continuously to prevent such risk from materialising. We do not currently see any other significant financial opportunities or risks.

Tax-related opportunities and risks

Due to the international scope of our operations, we are subject to a variety of tax regimes. Opportunities and risks arise from the introduction of new types of taxes, legislative changes and judicial rulings.

We mitigate this risk through continual dialogue with taxation authorities and tax advisors to obtain the greatest possible degree of legal certainty. This allows us to meet tax compliance requirements in the countries in which we operate to the best of our knowledge and belief. Our Group risk management system incorporates a tax risk management framework that enables us to monitor and avoid tax risk as far as possible.

Currently, we have not identified any significant tax-related opportunities or risks.

Opportunities and risks related to real estate transactions

Deutsche Post DHL Group is one of the world's largest corporate users of industrial properties. A large portion of the Group's industrial real estate portfolio consists of leased properties. Ownership solutions have additionally been implemented for a number of especially strategic properties. Our business may be impacted by opportunities and risks arising from the lease, purchase, sale, construction or use of real estate. A global team of real estate professionals manages the Group portfolio and ensures that any opportunities or risks are identified at an early stage and a suitable response is selected.

We negotiate suitable solutions early with our lessors, analyse real estate markets and identify suitable properties for expanding or optimising the current portfolio based on our divisions' business strategies and operational location planning. The main objective is to secure the availability of properties needed for our core business.

We do not currently see any specific opportunities or risks of significance in the area of real estate.

Market- and customer-specific opportunities and risks

Macroeconomic and sector-specific conditions are a key factor in determining the success of our business. Along with the global economic cycle, of particular importance here is the evolution of the logistics market in the interplay between our company and our stakeholders, and including our customers, suppliers and competitors. Changes in demand present both opportunities and risks.

As a provider of choice, our business is based on our customers' needs. Our customers are likewise exposed to macroeconomic trends that impact growth in their respective sectors. We monitor market developments on an ongoing basis and review the potential financial effects of relationships with business partners and suppliers at regular intervals to enable us to avert any risk that could arise from potential insolvencies, for example, at an early stage. Our Customer Solutions & Innovation unit uses a risk dashboard for this purpose.

We expect the positive development of our business to carry over into 2022. Growth opportunities will arise in all areas of business as the world economy gradually recovers and structural growth continues in the area of e-commerce. Although the consequences of the pandemic have weakened world trade, our DHL divisions are benefitting from rising demand for complex logistics solutions, amongst other things, thanks to our position as the global market leader.

In addition, our strong position in all the regions in which we operate allows us to compensate for declines in certain trade lanes based on growth in others. Whether and to what extent the logistics market will grow depends on a number of factors.

The trend towards outsourcing business processes continues. Supply chains are becoming more complex and more international, due in part to an increasing desire on the part of many businesses for supplier diversity as a result of the global pandemic. However, the added complexity also makes supply chains more prone to disruption. The need for stable, integrated logistics solutions is therefore growing – and this is precisely what we provide with our broad-based service portfolio.

We are unable to generally rule out the possibility of an economic downturn in specific regions or a stagnation or decrease in transport quantities. However, we assume that this would not reduce demand in all business units. For example – as we have just learned during the pandemic – the opposite effect has occurred in our parcel business as online sales have resulted in higher demand. Cyclical risks can affect our divisions differently depending on their magnitude and point in time, which could mitigate the total effect. Moreover, we have taken measures in recent years to make costs more flexible and to allow us to respond quickly to changes in market demand. For instance, our Coronavirus Task Force was able to respond swiftly and flexibly to changes caused by the pandemic. This enabled us to keep our supply chain intact and provide the best possible service.

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

As a logistics concern, we are additionally exposed to the effects of fluctuations in market prices on Group profit.

The current rise in inflation represents a risk of medium significance.

In line with our ESG Roadmap, we aim to have more than 30% of the total fuel we use for air freight come from sustainable sources (sustainable aviation fuel – SAF) by 2030. The possibility that the market supply of SAF may not be sufficient therefore represents a risk of medium significance.

In addition, no significant opportunities or risks are seen at present in this risk category.

Opportunities and risks arising from political, regulatory or legal conditions

Our business is fundamentally intertwined with the political and legal environment in which we operate. The stability and security of international transport routes represent the first line in this framework, and they could be critically disrupted by events ranging from geopolitical developments to military conflicts. In addition, the international transport of goods is subject to the import, export and transit regulations of more than 220 countries and territories as well as their applicable foreign trade laws. In recent years, not only has the number but also complexity of such laws and regulations increased significantly (including their extraterritorial application). Violations are also being pursued more aggressively by the competent authorities, with stricter penalties imposed. We have implemented a Group-wide compliance programme in response to this development. In addition to the legally prescribed checking of all senders, recipients, suppliers and employees against current embargo lists, this specifically includes the legally required review of shipments for the purpose of enforcing applicable export restrictions as well as country sanctions and embargos. Deutsche Post DHL Group also co-operates with the responsible authorities, both in working to prevent violations as well as in assisting in the investigation of any infringements in order to avoid or limit potential sanctions.

A number of risks arise primarily from the fact that the Group provides some of its services in regulated markets. Many of the postal services rendered by Deutsche Post AG and its subsidiaries (particularly the Post & Parcel Germany division) are subject to sector-specific regulation by the German federal network agency *(Bundesnetzagentur)*. The German federal network agency approves or reviews prices, formulates the terms of downstream access, has special supervisory powers to combat market abuse and guarantees the provision of universal postal services. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

Revenue and earnings risk can arise in particular from the price cap procedure used to determine the rates for individual pieces of letter mail. Provisional approval of the rates for the period from 1 January 2022 to 31 December 2024 was issued by the German federal network agency on 10 December 2021.

In its capacity as a consumer of postal services, a German courier, express and parcel (CEP) association together with other customers and providers of postal services filed an action with the Cologne Administrative Court against the old pricing approval granted on 12 December 2019. On 4 January 2021, the Cologne Administrative Court ruled that the CEP association's action suspends the effect of the German federal network agency's decision to raise prices for standard, compact, large format *(Großbrief)* and extra-large format *(Maxibrief)* letters within Germany. The ruling only applies to the CEP association. The proceedings in the main action are still pending.

Moreover, the same CEP association had previously (on 4 December 2015) filed an action against the pricing approvals granted for the years from 2016 to 2018. The German Federal Administrative Court ruled on that action brought by the CEP association on 27 May 2020. The only one of the approvals that the court deemed unlawful concerned the increase in the price of a standard domestic letter to €0.70 for the period from 2016 to 2018. The ruling is only directly applicable to the plaintiff. The amount in dispute was set by the German Federal Administrative Court at a mid-range, four-digit euro amount. To date, the plaintiff had not asserted any claims for a refund of postal charges for the period from 2016 to 2018.

In the grounds for its decision, the court stated that the pricing approval in question was unlawful because the method used to calculate the allowable profit margin under the amended provisions of the 2015 *Post-Entgeltregulierungsverordnung* (PEntgV – Postal Rate Regulation Act) was not in compliance with the provisions of the *Postgesetz* (PostG – German Postal Act) regarding the authority to issue statutory instruments. The German government eliminated this formal deficiency disputed by the German Federal Administrative Court by way of an amendment to the *Postgesetz* (German Postal Act) entering into force in March 2021 in addition to other amendments. As a result, previous regulatory practice can continue by and large.

It cannot currently be ruled out that the effects on existing pricing approvals, or on future price cap procedures, of the court's decisions, the change in the regulatory framework or the actions currently pending could be negative for Deutsche Post. According to current assessments, this represents a medium risk.

The German federal government agreed in the coalition agreement that the Postal Act would again be amended. The aim is to further enhance social and environmental standards and strengthen fair competition. Depending upon the structure of the new regulatory framework, opportunities and risks may arise for the company's regulated areas.

We describe other significant legal proceedings in note 45 to the consolidated financial statements. However, we do not see any of these other proceedings as posing a risk of significant deviations from the projections for the 2022 forecast period.

The fight against climate change could result in increased regulatory and legal changes in the coming years. An increase in, or stepped up introduction of, carbon taxes represents a risk of medium importance for us, similar to increased restrictions on GHG emissions.

We have not identified any other significant opportunities or risks associated with the political, regulatory or statutory environment.

Opportunities and risks arising from the environment, catastrophes and epidemics

Our business operations can be both positively and negatively impacted by natural disasters, epidemics and ecological factors, also including physical risks arising from climate change such as floods and storms.

The year 2021 was again crucially shaped by the COVID-19 pandemic, which presented us with challenges posing both opportunities and risks. Our focus at all times was, and continues to be, on safeguarding the health of our employees. At the same time, we succeeded in significantly increasing our revenues due to volume increases in both the German parcel business and in express deliveries. At the same time, measures aimed at containing the pandemic led to economic restrictions and uncertainty about how the global economy as a whole and our business will fare going forward. We are making a collective effort to contain the virus and adapt our business to the current situation by taking suitable measures such as improving hygiene protocols, requiring masks to be worn, enabling remote working where possible and holding virtual meetings. The further course of the virus cannot be predicted at present. We are therefore examining the impact of the pandemic on our operations in the individual regions at regular intervals. We believe that the overall effect of the risks described will be of medium relevance for the Group in the coming years. We deal with additional potential effects of the pandemic in the report on expected developments.

We have not identified any significant opportunities or risks in this area other than the effects of the pandemic.

Overall assessment

In the 2022 financial year, we anticipate consolidated EBIT of around €8.0 billion (+/– max. 5%). The DHL divisions are expected to generate a total of around €7.0 billion (+/– max. 4%). In the Post & Parcel Germany division, EBIT is projected to amount to around €1.5 billion (+/– max. 10%). The earnings contributed by Group Functions are expected to amount to around €–0.45 billion. In view of the expected EBIT development in combination with a predicted increase in the asset charge, we expect the EAC to be slightly down year-on-year. Free cash flow (excluding the purchase price payment for Hillebrand) is expected to come in at around €3.6 billion (+/– max. 5%).

The current business planning has not identified any significant changes in the Group's overall opportunity and risk situation compared with last year's risk report. No new risks with a potentially critical impact upon the Group's result have been identified according to current assessments. Based upon the Group's early warning system and in the estimation of its Board of Management, there were no identifiable risks for the Group in the current forecast period which, individually or collectively, cast doubt upon the Group's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future. The stable to positive outlook projected for the Group is moreover reflected in our Credit rating.

GOVERNANCE

Annual Corporate Governance Statement

pursuant to Sections 289f and 315d HGB with respect to Deutsche Post AG and Deutsche Post DHL Group.

Declaration of Conformity with the German Corporate Governance Code

Deutsche Post AG once again complied with the suggestions and recommendations of the German Corporate Governance Code in the year under review. The Board of Management and Supervisory Board will continue to do so in the future – with the exception that, on a case-by-case basis, a Board of Management member may assume a chairmanship appointment to the supervisory board of another company in the final months of their term. In December 2021, the Board of Management and Supervisory Board of Deutsche Post AG issued the following declaration of conformity:

"The Board of Management and the Supervisory Board of Deutsche Post AG hereby declare that, since the issuance of the Declaration of Conformity in December 2020, all recommendations of the Government Commission German Corporate Governance Code (DCGK) as amended on 16 December 2019 and published in the Federal Gazette on 20 March 2020 have been complied with and that all recommendations of the code shall be complied with in the future. With a view to recommendation C.5, this does not apply to a Board member who assumes a chairmanship role in the supervisory board of a listed company during the final 12 to 15 months of his or her term."

Particularly when a Board of Management member steps down after a long term of service, the transition of that seat is generally known well before the member departs. In some situations, chairmanships of the supervisory boards of other companies are planned before completion of the Board of Management member's regular term. The Supervisory Board considers it proper for an experienced Board member to assume a supervisory board chairmanship appointment during the final months of his or her term and would like to allow this on a case-by-case basis.

The current Declaration of Conformity and the Annual Corporate Governance Statement along with the Declarations of Conformity for the past five years are available on the company's website.

Corporate governance principles and shared values

Our business relationships and activities are based upon responsible business practices that comply with applicable laws, ethical standards and international guidelines, and this also forms part of the Group's strategy. Equally, we require our suppliers to act in this way. We encourage relationships with our shareholders, our employees and other stakeholders, whose decisions to select Deutsche Post DHL Group as a supplier, employer or investment are increasingly also based upon the requirement that we apply good corporate governance criteria.

As a Group-wide framework of policies and regulations, the Code of Conduct is firmly established within the company and is applicable across all divisions and regions. It takes into account the principles set out in the United Nations (UN) Global Compact and is based upon the Universal Declaration of Human Rights. It is consistent with recognised legal standards, including the applicable anti-corruption legislation and agreements. We adhere to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. As a long-standing partner of the United Nations, we also support the UN's Sustainable Development Goals (SDGs).

The Code of Conduct also defines what is meant by diversity. Diversity and mutual respect are some of the core values that contribute to good co-operation within the Group and thus to economic success. The key criteria for the recruitment and professional development of our employees are their skills and qualifications. The members of the Board of Management and the Supervisory Board support the Group's diversity strategy, with a particular focus on the goal of increasing the number of women in management.

Doing business includes using our expertise as a service provider in the mail and logistics sector for the benefit of society and the environment, and we motivate our employees to engage personally.

Ensuring that our interactions with business partners, shareholders and the public are conducted with integrity and within the bounds of the law is vital to maintaining our reputation. This is also the foundation of Deutsche Post DHL Group's lasting business success. Our compliance management system (CMS) focuses on preventing corruption and anti-competitive conduct. Insights gained from compliance audits and reported violations are also used to continually improve and upgrade the CMS system, Corporate Governance.

Co-operation between the Board of Management and the Supervisory Board, remuneration, retirement ages

Deutsche Post AG is subject to German stock corporation law and has a two-tier board structure comprising the Board of Management and the Supervisory Board.

Members of the Board of Management are responsible for the management of the company. The Board of Management's rules of procedure set out the principles governing its internal organisation, management and representation, as well as co-operation between its individual members. The members of the Board of Management manage their board departments independently, except where decisions of particular significance and consequence for the company or the Group must be made by the members of the Board of Management as a whole. They are required to subordinate the interests of their individual board departments to the collective interests of the company and to inform the full Board of Management about significant developments in their spheres of responsibility.

The CEO conducts Board of Management business, aligns board department activities with the company's overall goals and plans, and ensures that corporate policy is implemented. When making decisions, members of the Board of Management may not act in their own personal interest or exploit corporate business opportunities for their own benefit. Any conflicts of interest must be disclosed to the chairs of the Supervisory Board and the Board of Management without delay; the other Board of Management members must also be informed.

The Supervisory Board appoints, advises and oversees the Board of Management. It proposes the remuneration system for Board of Management members to the Annual General Meeting, and – together with the Board of Management – is jointly responsible for the long-term succession planning for the Board of Management.

The current remuneration system for the company's Board of Management was adapted prior to the Annual General Meeting in May 2021 on the basis of new provisions under stock corporation law, new regulations of the German Corporate Governance Code and deliberations with investors, and was approved by the Annual General Meeting with a majority of 93.39% of votes cast.

No member of the Board of Management is a member of a supervisory board of a non-Group listed company or exercises a comparable function. The CEO, Dr Frank Appel, is a member of the supervisory board of Fresenius Management SE. Additionally, he is to be nominated to the annual general meeting of Deutsche Telekom AG for election to its supervisory board; the intention is for him to assume the chairmanship of that body.

The retirement age for Board of Management members defined by the Supervisory Board is generally the year in which the Board of Management member reaches the age of 65. The Supervisory Board defined the retirement age for members of the Supervisory Board in such a way that, for nominations for the election of members of the Supervisory Board, attention shall be paid to 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. As a general rule, Supervisory Board members should not serve more than three terms of office.

The company's D&O insurance for the members of the Board of Management provides for a deductible as set out in the AktG.

The principles governing the Supervisory Board's internal organisation, a catalogue of Board of Management transactions requiring approval and the work of the Supervisory Board committees are governed by the rules of procedure. The Chair elected by the members of the Supervisory Board from their ranks co-ordinates the work of the Supervisory Board and represents the Supervisory Board publicly. The Supervisory Board represents the company in respect of the Board of Management members. Members of the Supervisory Board receive a fixed annual remuneration of €70,000 from the Annual General Meeting, an amount which was last increased in 2014. At this year's Annual General Meeting, we will recommend increasing this base remuneration to €100,000 annually. The increase is intended to account for greater demands placed on the Supervisory Board in terms of time and workload and remuneration trends at comparable companies. As previously, the remuneration for the Chair of the Supervisory Board increases by 100%, for the Deputy Chair by 50%, for the Chair of a committee by 100% and for committee members by 50%. The contents of the report on remuneration of Board of Management and Supervisory Board members have been audited, and the report can be accessed at the **company's website.** There are no contracts between the company and Supervisory Board members apart from those governing their Supervisory Board activities and the employment contracts with the employee representatives.

The Supervisory Board meets at least twice each half-year, at least once without the Board of Management present. Extraordinary Supervisory Board meetings are held whenever decisions need to be made at short notice or particular issues require discussion. In the 2021 financial year, Supervisory Board members held five plenary meetings, 21 committee meetings and one closed meeting, as described in the **Report of the Supervisory Board.** Some of those meetings were held as conference calls due to pandemic-related restrictions. The members of the Supervisory Board without exception attended all meetings of the plenary and the committees where they held seats this year. The attendance rate of 100% is broken down by member in the Report of the Supervisory Board.

The Board of Management and the Supervisory Board regularly discuss the Group's strategy, the divisions' objectives and strategies, the financial position and performance of the company and the Group, key business transactions, the progress of acquisitions and investments, compliance and compliance management, risk exposure and risk management, and all material business planning and related implementation issues.

The Board of Management informs the Supervisory Board promptly and in full about all issues of significance. The Chair of the Supervisory Board and the CEO maintain close contact about current issues; the Chair of the Finance and Audit Committee regularly discusses important matters with the Board member responsible for Finance, even outside of meetings.

Supervisory Board decisions are prepared in advance in separate meetings of the shareholder representatives and the employee representatives, and by the relevant committees. Each plenary Supervisory Board meeting includes a detailed report regarding the committees' work and the decisions made. Supervisory Board members are personally responsible for ensuring they receive the training and professional development measures they need to perform their tasks. They receive appropriate support from the company in the process. Directors' Day is the core element of this support. In June, Directors' Day covered the topics of the tax situation and internal and external communications of the Deutsche Post DHL Group; in September, it covered the *Lieferkettengesetz* (Supply Chain Act), *Finanzmarktintegritätsstärkungsgesetz* (Financial Market Integrity Strengthening Act) and other current developments in the field of corporate governance.

Succession planning for the Board of Management

Planning for the appointments of the members of the Board of Management is an ongoing process mainly in the remit of the Executive Committee. In the event of an upcoming vacancy, the Executive Committee selects suitable candidates for personal interviews, taking into account specific requirements for experience and qualifications to be met by the members of the Board of Management and, after discussing this list of candidates, submits it to the Supervisory Board.

Possible successors from within the Group are generally given the opportunity to give a presentation on topics from their own areas of responsibility before the Supervisory Board. This provides the Supervisory Board with a good overview of the capabilities and talents available within the Group. When appointing new members to the Board of Management, the Supervisory Board ensures that the different personalities and skills of the members supplements the Board of Management and that its membership is as diverse as possible. In addition to industry experience and international diversity, gender diversity is also one of the key selection criteria. The initial term of service for members of the Board of Management generally runs for three years.

Independence of shareholder representatives on the Supervisory Board

All Supervisory Board members are independent within the meaning of the German Corporate Governance Code. This exceeds the target of filling the shareholder side with at least 60% independent members.

The largest shareholder in the company, KfW Bankengruppe, currently holds 20.49% of the shares in Deutsche Post AG and therefore does not exercise control. Accordingly, Dr Jörg Kukies and Dr Günther Bräunig are also independent. The same applies for the successor of Dr Günther Bräunig proposed for election to the Supervisory Board, Stefan B. Wintels.

The term of Dr Stefan Schulte, who has been a member of the board for over twelve years, does not affect his independence; it also falls within the framework of the aforementioned maximum of three terms. When determining independence, the assessment must also include consideration of the term length, along with an overall view of the personality and the duties of the Supervisory Board member, and the conclusion may be reached that other aspects balance out a comparatively longer term of office. A determining factor for the Supervisory Board in considering this overall view is how Dr Schulte confidently asserts his expertise as a financial expert and, particularly as the Chairman of the Financial and Audit Committee, engages the Board of Management in open discussions and critically examines their presentations.

Lawrence Rosen's duties as a member of the company's Board of Management ended on 30 September 2016 and thus do not affect his independence. Rather, it is his knowledge of the company and business operations that make it possible for him to support the Board of Management as a critical advisor and to fully perform the monitoring duties of the Supervisory Board.

No Supervisory Board member exceeds the maximum age limit of 72, holds seats on governing bodies of the Group's main competitors or provides consultancy services to, or maintains personal relationships with, such competitors.

Effectiveness of the Supervisory Board's advisory and monitoring duties

The Supervisory Board carries out an annual review to determine how effectively it discharges its duties. This review is carried out in a Supervisory Board meeting, without the Board of Management, and is based upon a questionnaire at least once every three years. Suggestions made by individual members of the Supervisory Board are also taken up and implemented during the year. In the year under review, the Supervisory Board reviewed the efficiency of its activities in its September meeting. The board concluded that it had performed its monitoring and advisory duties effectively and efficiently. Constructive collaboration within the Supervisory Board and with Board of Management members in an atmosphere of trust enables duties to be performed in a proper and professional manner.

Targets for the composition of the Supervisory Board (skills profile)
In addition to legal requirements (notably Sections 100 and 107 AktG), the composition of the Supervisory Board is guided by recommendation C.6 of the German Corporate Governance Code (DCGK). The Supervisory Board last updated the targets for its composition in December 2021, when it added competent advising on the topic of sustainability issues. Overall, the Supervisory Board set the following targets for its composition which also reflect the skills profile it aspires to have:

1. When proposing candidates to the Annual General Meeting for election as Supervisory Board members, the Supervisory Board is guided purely by the best interests of the company. Subject to this requirement, the Supervisory Board aims to ensure that the independent group of shareholder representatives as defined in C.6 of the German Corporate Governance Code accounts for at least 60% of the Supervisory Board, and that at least 30% of Supervisory Board members are women.
2. The Supervisory Board's future proposals to the Annual General Meeting will continue to consider candidates whose origins, education or professional experience equip them with international knowledge and experience.
3. The Supervisory Board should collectively serve as a competent advisor to the Board of Management on future issues, in particular digital transformation and sustainability issues.
4. The Supervisory Board should collectively have sufficient expertise in the areas of accounting and financial statement audits. This includes knowledge of international developments in the field of accounting. Additionally, the Supervisory Board believes that the independence of its members helps guarantee the integrity of the accounting process and ensure the independence of the auditors.
5. Conflicts of interest affecting Supervisory Board members are an obstacle to providing independent advice to, and supervision of, the Board of Management. The Supervisory Board will decide how to deal with potential or actual conflicts of interest on a case-by-case basis, in accordance with the law and giving due consideration to the German Corporate Governance Code.
6. In accordance with the age limit adopted by the Supervisory Board and laid down in the rules of procedure for the Supervisory Board, proposals for the election of Supervisory Board members must ensure that their term of office ends no later than the close of the next Annual General Meeting to be held after the Supervisory Board member reaches the age of 72. As a general rule, Supervisory Board members should not serve more than three full terms of office.

The current Supervisory Board meets these targets and fulfils this skills profile. The Supervisory Board took such targets and the skills profile into account in the election proposals it made to the 2021 Annual General Meeting. It will do the same with respect to the election proposal to be made to this year's Annual General Meeting.

Board of Management and Supervisory Board committees
Business review meetings are held on a quarterly basis for each division, attended by representatives of management from the respective division, once with the entire Board of Management and the other three times with the CEO and CFO. Additionally, quarterly review meetings are held for the cross-divisional functions with the CEO and CFO as well as representatives of management.

The review meetings involve discussions of strategic initiatives, operational matters and the budgetary situation in the divisions. In addition, all of the Board of Management departments have Board committees where decisions are made on the fundamental strategic orientation of the respective department and prominent topics. Finally, the responsible Board departments resolve on investment, real estate and M&A plans within certain threshold limits using defined decision-making and approval processes.

The members of the Supervisory Board's committees prepare the resolutions to be taken in the plenary meetings and fulfil the duties assigned to them by the law, the company's Articles of Association and the rules of procedure for the Supervisory Board.

The Executive Committee prepares the resolutions to be taken in the plenary meetings regarding the appointment of members to the Board of Management, preparation of their service agreements (including remuneration), the system for remunerating Board of Management members, the establishment of variable remuneration targets, the establishment of variable remuneration according to degrees of target achievement and the review of the appropriateness of Board of Management remuneration. In addition, it regularly focuses on long-term succession planning for the Board of Management.

The Finance and Audit Committee reviews the company's accounts and oversees its accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the annual financial statements, in particular with respect to audit quality and the independence of the auditors. It prepares the proposals of the Supervisory

Board to be made to the Annual General Meeting concerning the appointment of the audit firm and is responsible for carrying out the selection process. The Finance and Audit Committee, moreover, deals with the audit of the non-financial statement. If the auditor is to be engaged to perform non-audit services, the committee must also approve any such engagement. It examines corporate compliance and discusses the half-yearly financial reports and the quarterly statements with the Board of Management prior to their publication. Based upon its own assessment, the committee submits proposals for the approval of the annual and consolidated financial statements to the Supervisory Board. As required, the Finance and Audit Committee is also responsible for issuing findings on the required Supervisory Board approvals of significant transactions between the company and related parties.

As previously described, the Chair of the Finance and Audit Committee, Dr Stefan Schulte, is independent and an expert both in the accounting area as well as in the auditing of financial statements as defined in Sections 100(5) and 107(4) AktG and in D.4 of the German Corporate Governance Code. Besides Dr Stefan Schulte, Simone Menne – also a member of the Finance and Audit Committee – and Lawrence Rosen are also independent and possess expertise in the areas of accounting and auditing of financial statements.

An agreement has been reached with the auditor that the Chair of the Supervisory Board and the Chair of the Finance and Audit Committee will be informed without delay of any potential grounds for exclusion or for impairment of the auditors' independence that arise during the audit, to the extent that any such grounds for exclusion or impairment are not immediately remedied. In addition, it has been agreed that the auditor will inform the Supervisory Board without delay of all material findings and incidents occurring in the course of the audit. Furthermore, the auditor must inform the Supervisory Board if, whilst conducting the financial statement audit, any facts are found leading to the Declaration of Conformity issued by the Board of Management and Supervisory Board being incorrect. The Chair of the Finance and Audit Committee and the auditor regularly exchange information both at meetings and at other times. The Finance and Audit

Committees of the Supervisory Board

Executive Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Ingrid Deltenre
Thomas Held
Thorsten Kühn
Dr Jörg Kukies

Strategy and Sustainability Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Dr Günther Bräunig
Thomas Held (since 15 September 2021)
Dr Heinrich Hiesinger
Thomas Koczelnik (until 31 August 2021)
Stephan Teuscher

Personnel Committee

Andrea Kocsis (Chair)
Dr Nikolaus von Bomhard (Deputy Chair)
Ingrid Deltenre
Mario Jacubasch (since 15 September 2021)
Thomas Koczelnik (until 31 August 2021)

Nomination Committee

Dr Nikolaus von Bomhard (Chair)
Ingrid Deltenre
Dr Jörg Kukies

Finance and Audit Committee

Dr Stefan Schulte (Chair, independent and expert in the areas of accounting and auditing of financial statements as defined in Sections 100(5) and 107(4) AktG and D.4 German Corporate Governance Code)
Stephan Teuscher (Deputy Chair)
Thomas Koczelnik (until 31 August 2021)
Dr Jörg Kukies
Simone Menne (independent and expert in the areas of accounting and auditing of financial statements as defined in Sections 100(5) and 107(4) AktG and D.4 of the German Corporate Governance Code)
Yusuf Özdemir (since 15 September 2021)
Stefanie Weckesser

Mediation Committee (pursuant to Section 27(3) German Co-determination Act)

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Dr Heinrich Hiesinger
Thorsten Kühn

Committee regularly reviews the quality of the financial statement audit. Both in the meeting of the Finance and Audit Committee held in preparation for the financial statements meeting as well as in the meeting of the plenary where the company and consolidated financial statements are approved, the members of the Supervisory Board closely examine the contents and the processes of the financial statement audit.

The duties of the Strategy Committee were expanded by resolution of the Supervisory Board in December 2021 to include regularly addressing sustainability-related topics (environment, social, governance – ESG). The committee was renamed the Strategy and Sustainability Committee. In addition to dealing with ESG topics, the Strategy and Sustainability Committee prepares the Supervisory Board's strategy discussions and regularly discusses implementation of the strategy and the competitive position of the enterprise as a whole and of the divisions. In addition, it does preparatory work on corporate acquisitions and divestitures that require the Supervisory Board's approval. In the year under review, this was the acquisition of the J.F. Hillebrand Group stock corporation.

The Nomination Committee presents the shareholder representatives of the Supervisory Board with recommendations for shareholder candidates for election to the Supervisory Board at the Annual General Meeting.

The Personnel Committee discusses human resources principles for the Group.

The Mediation Committee carries out the duties assigned to it pursuant to the MitbestG: it makes proposals to the Supervisory Board on the appointment of members of the Board of Management in those cases in which the required majority of two-thirds of the votes of the Supervisory Board members is not reached. The committee did not meet in the past financial year.

Further information about the work of the Supervisory Board and its committees in the 2021 financial year is contained in the Report of the Supervisory Board. The members of the Supervisory Board and all additional offices held by them as well as the members of the Board of Management and all additional offices held by them can be found in Boards and Committees. Board members' curriculum vitae, information about their qualifications and the terms of their current appointments are also published on our website. The website also has current curriculum vitae of the shareholder representatives on the Supervisory Board along with information on their professional occupation, the length of their membership on the Supervisory Board and the duration of their current term of office.

Diversity

During succession planning and the selection of members for the Board of Management, the Supervisory Board pays close attention to ensuring that they contribute to the profile of the Board of Management as a whole in terms of their qualifications, abilities and experience. Long-term succession planning in all divisions guarantees that there will be sufficient qualified internal candidates to fill Board of Management positions in future. The early promotion of women in the company also plays a key role. The Second Leadership Positions Act stipulates that, from 1 August 2022, listed companies to which the German Co-determination Act applies and with more than three board of management members are subject to a participation requirement of at least one woman and at least one man. Deutsche Post AG already complies with this participation requirement. Additionally, the Supervisory Board had approved a target for the proportion of women on the Board of Management of 2:8 by the 2021 Annual General Meeting. The Supervisory Board confirmed this target – initially not yet met – and approved a percentage of women on the Board of Management of 25%, exceeding the statutory participation requirement, to be reached by the end of 2024. With the appointment of Nikola Hagleitner as the Board member for the Post & Parcel Germany division, a second woman will be on the Board of Management beginning in July 2022 along with Melanie Kreis.

For the target period beginning 1 January 2020, the Board of Management set a target of 30% for the percentage of women at Deutsche Post AG at both executive tiers below the Board of Management. We aim to meet these targets by 31 December 2024. The two executive tiers are defined on the basis of their reporting lines: tier 1 comprises executives assigned to the N-1 reporting line; the share of women here was 27.5% as at 31 December 2021. Tier 2 consists of executives from the N-2 reporting line; the share of women here was 28% as at 31 December 2021. The company intends to increase the share of women in management globally and has therefore set itself the goal of increasing the percentage of women in middle and upper management to 30% by 2025. This figure has risen continually in recent years and stood at 25.1% as at 31 December 2021.

The diversity criteria important to the Supervisory Board when considering its own composition are outlined in the list of its goals. With a proportion of women of 35%, the Supervisory Board has exceeded its own target of 30%, which also reflects the minimum statutory requirement.

Shareholders and Annual General Meeting

Shareholders exercise their rights, and in particular their right to receive information and to vote, at the Annual General Meeting. Each share in the company entitles the holder to one vote. The agenda with the proposed resolutions for the Annual General Meeting and additional information will be made available on the company website at the latest when the Annual General Meeting is convened. A detailed CV is published for each Supervisory Board candidate put forth for election. We assist our shareholders in exercising their voting rights not only by making it possible to submit postal votes but also by appointing company proxies, who cast their votes solely as instructed by the shareholders. Additionally, shareholders can authorise company proxies and submit postal votes via the online service offered by the company. Due to the pandemic, the 2021 Annual General Meeting was also held online in line with the applicable statutory provisions. Shareholders were able to submit their questions online up to one day prior to the AGM. They were able to vote either by absentee ballot or by authorising a company proxy to vote in their place. In light of the steadily high numbers of infections, the plan is for the 2022 Annual General Meeting to once again be held as a virtual event.

The remuneration system applied to Board of Management members must be presented to the Annual General Meeting for approval whenever there are significant changes, or at least every four years; the four-year interval also applies to the remuneration of the Supervisory Board members. The 2021 Annual General Meeting approved the Board of Management remuneration system with 93.39% and the Supervisory Board remuneration with 99.46% of the votes cast in favour. The Board of Management remuneration system and the resolution of the Annual General Meeting on the remuneration of Supervisory Board members can also be accessed on the @ **company's website.** Information regarding the remuneration of the individual members of the Board of Management and the Supervisory Board can be found in the remuneration report, which is a part of the convocation to the 2022 Annual General Meeting. In accordance with Section 162 AktG, the remuneration report and the auditor report will also be available on our @ **website.**

Disclosures required by takeover law

Disclosures required under Sections 289a and 315a HGB and explanatory report.

Composition of issued capital, voting rights and transfer of shares

As at 31 December 2021, the company's share capital totalled €1,239,059,409 and was composed of the same number of no-par-value registered shares. Each share carries the same rights and obligations stipulated by law and/or in the company's Articles of Association and entitles the holder to one vote at the Annual General Meeting (AGM). There are no shares with special rights conveying powers of control.

The exercise of voting rights and the transfer of shares are based upon statutory provisions and the company's Articles of Association, which place no restrictions on the exercise of voting rights or transfer of shares. Under the Employee Share Plan share-based remuneration programme, stocks are subject to time-related trading restrictions during the two-year holding period. As at 31 December 2021, Deutsche Post AG held a total of 15,247,431 treasury shares, which are excluded from rights for the company in accordance with Section 71b of AktG.

Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, is our largest shareholder, holding 20.49% of the share capital. The Federal Republic of Germany holds an indirect stake in Deutsche Post AG via KfW.

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 statutory provisions (cf. Sections 84 and 85 AktG and Section 31 *Mitbestimmungsgesetz* (MitbestG – German Co-Determination Act)). 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.

Amendments to the Articles of Association

In accordance with Section 119 (1), Number 6, and Section 179 (1), Sentence 1 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) 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.

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

The Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 130,000,000 new no-par-value registered shares (2021 Authorised Capital). Details may be found in Article 5(2) of the Articles of Association. The Articles of Association are available on the @ **company's website** and in the electronic company register. They may also be viewed in the commercial register of the Bonn Local Court.

The Board of Management has furthermore been authorised by resolution of the AGMs of 28 April 2017 (agenda item 7), 24 April 2018 (agenda item 6) and 27 August 2020 (agenda items 7 and 8) to issue Performance Share Units (PSUs). The authorisation resolutions are included in the notarised minutes of the AGM, which can be viewed in the commercial register of the Bonn Local Court. In order to service both current PSUs and those yet to be issued, the AGM approved contingent capital increases. Details may be found in Article 5 of the Articles of Association. As at 31 December 2021, the PSUs already issued conferred rights to up to 28,613,021 Deutsche Post AG shares, assuming the conditions are met. Under the authorisations granted, up to 47,575,636 additional PSUs may still be issued.

The AGM of 6 May 2021 authorised the company to buy back shares on or before 5 May 2026 up to an amount not to exceed 10% of the share capital existing as at the date of adoption of the resolution. Further details, including the option of using the treasury shares acquired on that basis or on the basis of a preceding authorisation, may be found in the authorisation resolution adopted by the AGM of 6 May 2021 (agenda item 8). In addition, the AGM of 6 May 2021 authorised the Board of Management to buy back shares within the scope specified in agenda item 8, including through the use of derivatives (agenda item 9). The company repurchased 17,694,910 shares in the financial year based upon that authorisation resolution and, together with the shares repurchased on the basis of the previous authorisation of 28 April 2017, repurchased a total of 20,314,969.

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 holds a syndicated credit facility with a volume of €2 billion under an agreement entered into with a consortium of banks. If a change of control within the meaning of the agreement occurs, each member of the bank consortium is entitled, under certain conditions, to cancel its share of the credit facility as well as its share of any outstanding loans and to request repayment. The terms and conditions of the bonds issued under the Debt Issuance Programme established in March 2012 and those of the convertible bond issued in December 2017 also contain change-of-control clauses. In the event of a change of control within the meaning of those terms and conditions, creditors are, under certain conditions, granted the right to demand early redemption of the respective bonds. Finally, Deutsche Post AG has concluded a factoring agreement providing for a maximum volume of €70 million in connection with distribution partnerships. The factoring agreement can be terminated without notice in the event of a change of control as defined in the agreement. The factoring agreement expires during the first quarter of 2022.

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 to the end of a given month, and to terminate their Board of Management contract (right to early termination). The former severance payment claim previously provided for in the event of the exercise of the right to early termination no longer applies from the 2021 financial year. With regard to the Annual Bonus Plan with Share Matching 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. The participating executives will receive the total number of matching shares corresponding to their investment (or a cash equivalent) in due course. In such a case, the employer will be responsible for any tax disadvantages resulting from a reduction of the holding period. Taxes normally incurred after the holding period are exempt from this provision. Under the Employee Share Plan, if a change of control occurs, any amounts that have already been invested and for which shares have yet to be delivered are reimbursed. Effective immediately, the holding period is waived for shares that have already been granted.

INCOME STATEMENT

1 January to 31 December

€m	Note	2020	2021
Revenue[1]	11	66,716	81,747
Other operating income	12	2,095	2,291
Changes in inventories and work performed and capitalised	13	292	348
Materials expense[1]	14	–33,704	–43,897
Staff costs	15	–22,234	–23,879
Depreciation, amortisation and impairment losses	16	–3,830	–3,768
Other operating expenses	17	–4,454	–4,896
Net income from investments accounted for using the equity method	25	–34	32
Profit from operating activities (EBIT)		**4,847**	**7,978**
Financial income		220	191
Finance costs		–838	–746
Foreign currency result		–58	–64
Net finance costs	18	**–676**	**–619**
Profit before income taxes		**4,171**	**7,359**
Income taxes	19	–995	–1,936
Consolidated net profit for the period		**3,176**	**5,423**
attributable to Deutsche Post AG shareholders		2,979	5,053
attributable to non-controlling interests		197	370
Basic earnings per share (€)	20	**2.41**	**4.10**
Diluted earnings per share (€)	20	**2.36**	**4.01**

[1] Prior-period amounts adjusted due to reclassifications, note 4.

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€m	Note	2020	2021
Consolidated net profit for the period		**3,176**	**5,423**
Items that will not be reclassified to profit or loss			
Change due to remeasurements of net pension provisions	37	–1,087	2,005
Reserve for equity instruments without recycling		–5	16
Income taxes relating to components of other comprehensive income	19	80	–79
Share of other comprehensive income of investments accounted for using the equity method, net of tax		0	0
Total, net of tax		**–1,012**	**1,942**
Items that may be subsequently reclassified to profit or loss			
Hedging reserves			
Changes from unrealised gains and losses		11	27
Changes from realised gains and losses		–29	2
Currency translation reserve			
Changes from unrealised gains and losses		–954	925
Changes from realised gains and losses		0	0
Income taxes relating to components of other comprehensive income	19	7	–6
Share of other comprehensive income of investments accounted for using the equity method, net of tax		–8	6
Total, net of tax		**–973**	**954**
Other comprehensive income, net of tax		**–1,985**	**2,896**
Total comprehensive income		**1,191**	**8,319**
attributable to Deutsche Post AG shareholders		1,009	7,915
attributable to non-controlling interests		182	404

BALANCE SHEET

€m

	Note	31 Dec. 2020	31 Dec. 2021
ASSETS			
Intangible assets	22	11,658	12,076
Property, plant and equipment	23	22,007	24,903
Investment property	24	12	48
Investments accounted for using the equity method	25	73	111
Non-current financial assets	26	746	1,190
Other non-current assets	27	160	587
Deferred tax assets	28	2,390	1,943
Non-current assets		**37,046**	**40,858**
Inventories	29	439	593
Current financial assets	26	1,315	3,088
Trade receivables	30	8,985	11,683
Other current assets	27	2,815	3,588
Income tax assets		209	230
Cash and cash equivalents	31	4,482	3,531
Assets held for sale	32	16	21
Current assets		**18,261**	**22,734**
TOTAL ASSETS		**55,307**	**63,592**

	Note	31 Dec. 2020	31 Dec. 2021
EQUITY AND LIABILITIES			
Issued capital	33	1,239	1,224
Capital reserves	34	3,519	3,533
Other reserves		−1,666	−733
Retained earnings	34	10,685	15,013
Equity attributable to Deutsche Post AG shareholders	35	13,777	19,037
Non-controlling interests	36	301	462
Equity		**14,078**	**19,499**
Provisions for pensions and similar obligations	37	5,835	4,185
Deferred tax liabilities	28	36	137
Other non-current provisions	38	1,790	1,946
Non-current financial liabilities	39	15,851	16,614
Other non-current liabilities	40	328	304
Non-current provisions and liabilities		**23,840**	**23,186**
Current provisions	38	1,080	1,208
Current financial liabilities	39	3,247	3,283
Trade payables		7,309	9,556
Other current liabilities	40	5,135	6,138
Income tax liabilities		611	717
Liabilities associated with assets held for sale	32	7	5
Current provisions and liabilities		**17,389**	**20,907**
TOTAL EQUITY AND LIABILITIES		**55,307**	**63,592**

CASH FLOW STATEMENT

1 January to 31 December

€m	Note	2020	2021
Consolidated net profit for the period		3,176	5,423
Income taxes		995	1,936
Net finance costs		676	619
Profit from operating activities (EBIT)		**4,847**	**7,978**
Depreciation, amortisation and impairment losses		3,830	3,768
Net cost/net income from disposal of non-current assets		29	−20
Non-cash income and expense		132	22
Change in provisions		73	31
Change in other non-current assets and liabilities		−56	−37
Dividend received		2	4
Income taxes paid		−754	−1,323
Net cash from operating activities before changes in working capital		**8,103**	**10,423**
Changes in working capital			
Inventories		−44	−137
Receivables and other current assets		−1,305	−3,317
Liabilities and other items		945	3,024
Net cash from operating activities	42	**7,699**	**9,993**
Subsidiaries and other business units		5	13
Property, plant and equipment and intangible assets		122	190
Investments accounted for using the equity method and other investments		0	1
Other non-current financial assets		44	156
Proceeds from disposal of non-current assets		171	360
Subsidiaries and other business units		0	0
Property, plant and equipment and intangible assets		−2,922	−3,736
Investments accounted for using the equity method and other investments		−13	−2
Other non-current financial assets		−10	−29
Cash paid to acquire non-current assets		−2,945	−3,767
Interest received		67	91
Current financial assets		−933	−1,508
Net cash used in investing activities	42	**−3,640**	**−4,824**

	Note	2020	2021
Proceeds from issuance of non-current financial liabilities		2,488	131
Repayments of non-current financial liabilities		−2,488	−2,903
Change in current financial liabilities		23	16
Other financing activities		−88	111
Proceeds from/cash paid for transactions with non-controlling interests		−5	−16
Dividend paid to Deutsche Post AG shareholders		−1,422	−1,673
Dividend paid to non-controlling interest holders		−157	−225
Purchase of treasury shares		−45	−1,115
Interest paid		−556	−550
Net cash used in financing activities	42	**−2,250**	**−6,224**
Net change in cash and cash equivalents		**1,809**	**−1,055**
Effect of changes in exchange rates on cash and cash equivalents		−192	104
Changes in cash and cash equivalents due to changes in consolidated group		3	0
Cash and cash equivalents at beginning of reporting period		2,862	4,482
Cash and cash equivalents at end of reporting period	31	**4,482**	**3,531**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

€m

			Other reserves						
	Issued capital	Capital reserves	Hedging reserves	Reserve for equity instruments without recycling	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	33	34				34	35	36	
Balance at 1 January 2020	1,236	3,482	−5	−22	−673	10,099	14,117	275	**14,392**
Dividend						−1,422	−1,422	−165	**−1,587**
Transactions with non-controlling interests			0	0	−3	8	5	−11	**−6**
Changes in non-controlling interests due to changes in consolidated group							0	20	**20**
Capital increase/decrease	3	37				28	68	0	**68**
Total comprehensive income									
Consolidated net profit for the period						2,979	2,979	197	**3,176**
Currency translation differences					−946		−946	−15	**−961**
Change due to remeasurements of net pension provisions						−1,007	−1,007	0	**−1,007**
Other changes			−12	−5		0	−17	0	**−17**
Total							**1,009**	**182**	**1,191**
Balance at 31 December 2020	**1,239**	**3,519**	**−17**	**−27**	**−1,622**	**10,685**	**13,777**	**301**	**14,078**
Balance at 1 January 2021	1,239	3,519	−17	−27	−1,622	10,685	13,777	301	**14,078**
Dividend						−1,673	−1,673	−219	**−1,892**
Transactions with non-controlling interests			0	0	1	−1	0	−24	**−24**
Capital increase/decrease	−15	14				−981	−982	0	**−982**
Total comprehensive income									
Consolidated net profit for the period						5,053	5,053	370	**5,423**
Currency translation differences					894		894	37	**931**
Change due to remeasurements of net pension provisions						1,930	1,930	−3	**1,927**
Other changes			23	15		0	38	0	**38**
Total							**7,915**	**404**	**8,319**
Balance at 31 December 2021	**1,224**	**3,533**	**6**	**−12**	**−727**	**15,013**	**19,037**	**462**	**19,499**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE POST AG

Company information

Deutsche Post DHL Group is a global mail and logistics group. The Deutsche Post and DHL corporate brands represent a portfolio of logistics (DHL) and communication (Deutsche Post) services. The financial year of Deutsche Post AG and its consolidated subsidiaries is the calendar year. Deutsche Post AG, whose registered office is in Bonn, Germany, is entered in the commercial register of the Bonn Local Court under HRB 6792.

Basis of preparation

1 Basis of accounting

As a listed company, Deutsche Post AG prepared its consolidated financial statements in accordance with Section 315e *Handelsgesetzbuch* (HGB – German Commercial Code) ("consolidated financial statements in accordance with International Financial Reporting Standards") in compliance with International Financial Reporting Standards (IFRSs) and related Interpretations of the International Accounting Standards Board (IASB) as adopted in the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards.

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 and the explanations and disclosures in the notes to the IFRS consolidated financial statements for the 2021 financial year are generally based on the same accounting policies used in the 2020 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 2021. 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 18 February 2022.

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

No separate reporting is provided in cases where effects cannot be unequivocally attributed to the COVID-19 pandemic.

2 Consolidated group

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

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

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

The complete list of the Group's shareholdings in accordance with Section 313(2), Nos. 1 to 6, and (3) HGB may be viewed on the company's website.

The number of companies consolidated with Deutsche Post AG is shown in the following table:

Consolidated group

	2020	2021
Number of fully consolidated companies (subsidiaries)		
German	81	83
Foreign	633	636
Number of joint operations		
German	1	1
Foreign	0	0
Number of investments accounted for using the equity method		
German	1	1
Foreign	17	16

No material acquisitions or sales of companies were conducted in the 2021 financial year. Other changes in the consolidated group resulted from companies being formed or liquidated.

2.1 Joint operations

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

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

3 Significant transactions

The following significant transactions occurred in the 2021 financial year:

In March 2021, the Board of Management of Deutsche Post AG resolved a share buy-back programme for up to 30 million shares at a total purchase price of up to €1 billion. The repurchased shares will either be retired or used to service long-term executive remuneration plans. The repurchase via the stock exchange started on 10 May 2021 and ended in October 2021. With the termination of the share buy-back programme, 17.7 million shares were bought back for a total of €1 billion. The share buy-back programme is based on the authorisation resolved by the company's Annual General Meeting on 6 May 2021, note 33.3.

In the fourth quarter of 2021, Deutsche Post DHL Group paid a special bonus of €300 per employee (FTE) to its workforce of approximately 550,000 as an acknowledgement of their achievements during the pandemic. This led to expenses of €165 million, note 15.

In August 2021, the Board of Management signed an agreement to fully acquire J.F. Hillebrand Group AG (Hillebrand) and its subsidiaries for approximately €1.5 billion. Hillebrand is a global service provider specialised in the ocean freight forwarding, transport and logistics of beverages, non-hazardous bulk liquids and other products that require special care. This acquisition serves to accelerate expansion in the dynamic ocean freight forwarding market. A deposit of €100 million was made in conjunction with this transaction which will be offset against the purchase price upon conclusion of the transaction. The closing is scheduled for the first half of 2022.

4 Adjustment of prior-period amounts

The Lead Logistics Provider (LLP) business which had, to date, been partially reported in the Global Forwarding, Freight segment has been bundled in the Supply Chain division since January 2021. The presentation of revenue and materials expense was standardised based on a review of certain customer contracts as part of this transition. The prior-period amounts were adjusted accordingly.

Income statement 2020

€m	Amount	Adjustment	Adjusted amount
Revenue	66,806	−90	66,716
Materials expense	−33,794	90	−33,704

5 New developments in international accounting under IFRSs

New accounting standards effective in the 2021 financial year
The following standards, changes to standards and interpretations must be applied from 1 January 2021:

Standard	Subject matter and significance
Amendments to IFRS 16: COVID-19-Related Rent Concessions and COVID-19-Related Rent Concessions beyond 30 June 2021	Under certain conditions, the amendment permits lessees to not assess whether rent concessions granted as a direct consequence of the COVID-19 pandemic are lease modifications. If the conditions are met, lessees may instead account for those rent concessions as if they are not lease modifications. The amendment was initially applicable only for relevant lease payments before 30 June 2021. This simplification of the rule was extended for one year with a further amendment to IFRS 16. The application did not materially affect the consolidated financial statements.
Amendments to IFRS 4, Insurance Contracts – Deferral of Effective Date of IFRS 9	The effective date of IFRS 17, which will replace IFRS 4, was deferred to 1 January 2023. The expiry date of the temporary exemption from IFRS 9 in IFRS 4 was therefore also deferred to 1 January 2023.
Interest Rate Benchmark Reform (IBOR Reform) – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The amendments simplify the reporting of changes to contractual cash flows and hedge accounting required as a result of IBOR reform. They relate to the actual change in interest rate benchmarks. The consolidated financial statements were not materially affected.

New accounting standards adopted by the EU but only effective 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	Subject matter and significance
Amendments to IFRS 3, Reference to the Conceptual Framework (issued on 14 May 2020 and applicable for financial years beginning on or after 1 January 2022)	The amendments contain an update to IFRS 3 so that it refers to the 2018 revision of the Conceptual Framework. Additionally, it stipulates that, for transactions within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 to identify liabilities assumed in a business combination instead of the Conceptual Framework. Contingent liabilities are excluded from this requirement. IFRS 3 continues to prohibit recognition of contingent assets. Application is not expected to have an effect on the consolidated financial statements.
Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020 and applicable for financial years beginning on or after 1 January 2022)	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended. Application is not expected to have a material effect on the consolidated financial statements.
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract (issued on 14 May 2020 and applicable for financial years beginning on or after 1 January 2022)	The amendment defines the cost of fulfilling a contract. All costs that relate directly to the contract must be included when assessing whether a contract is onerous. Application is not expected to have a material effect on the consolidated financial statements.
Annual Improvements to IFRSs (2018–2020 Cycle) (issued on 14 May 2020 and applicable for financial years beginning on or after 1 January 2022)	The amendments relate to IFRS 1, First-Time Adoption of International Financial Reporting Standards; IFRS 9, Financial Instruments; IFRS 16, Leases; and IAS 41, Agriculture. Application is not expected to have a material effect on the consolidated financial statements.
IFRS 17, Insurance Contracts (issued on 18 May 2017), including amendments to IFRS 17 (issued on 25 June 2020 and applicable for financial years beginning on or after 1 January 2023)	IFRS 17 will replace IFRS 4, Insurance Contracts, in future. It outlines the principles governing the recognition, measurement, presentation and disclosure of insurance contracts. The objective of the standard is to ensure that the reporting entity provides relevant information that faithfully represents the effect that insurance contracts have on an entity's net assets, financial position, results of operations and cash flows. The effects on the Group are currently being assessed.

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

The IASB and the IFRIC issued further standards, amendments to standards and interpretations in the 2021 financial year and in previous years whose application is not yet mandatory for the 2021 financial year. The application of these IFRSs is dependent on their adoption by the EU.

Standard	Subject matter and significance
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021 and applicable for financial years beginning on or after 1 January 2023)	The amendments serve to assist entities with deciding which accounting policies to disclose in their financial statements. The amendment of IAS 1 explains and requires that a disclosure of "material" rather than "significant" accounting policies must be made. To support this approach, the amendments to IFRS Practice Statement 2 demonstrate the application of the concept of materiality to accounting policy disclosures. The effects on the consolidated financial statements are being assessed.
Amendments to IAS 8, Definition of Accounting Estimates (issued on 12 February 2021 and applicable for financial years beginning on or after 1 January 2023)	The amendments introduced a new definition of accounting estimates and explain how entities should distinguish changes in accounting estimates from changes in accounting policies. The effects on the consolidated financial statements are being assessed.
Amendments to IAS 1, Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and applicable for financial years beginning on or after 1 January 2023) and Deferral of the Effective Date	The amendments to IAS 1 relate solely to the presentation of debt and other liabilities in the statement of financial position. They clarify that a liability must be classified as non-current if the entity has a substantial right at the reporting date to defer settlement of the liability for at least 12 months after the reporting date. The determining factor is that such a substantial right exists; no intention to exercise that right is required. No material effects on the consolidated financial statements are expected. The effective date was deferred to 1 January 2023 due to the COVID-19 pandemic.
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and applicable for financial years beginning on or after 1 January 2023)	The amendment limits the exemption from the (initial) recognition of deferred tax in that it no longer applies to transactions for which entities recognise both an asset and a liability (e.g. leases and decommissioning obligations). In future, deferred tax assets and liabilities must be recognised for such transactions to the extent that equal amounts of deductible and taxable temporary differences arise. No material effects on the consolidated financial statements are expected.
Amendment to IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and applicable for financial years beginning on or after 1 January 2023)	The narrow-scope amendment to IFRS 17 permits entities to apply an optional classification overlay, if certain conditions are met, with the aim of providing useful comparative information on financial instruments for 2022. The amendment was issued because the initial application of IFRS 9 is not required to be retroactive, whereas this is the case for IFRS 17. This can result in accounting mismatches for financial instruments. The impact on the consolidated financial statements is being reviewed.

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 the 2021 financial year, currency translation differences amounting to €931 million (previous year: €–961 million) were recognised in other comprehensive income, Statement of comprehensive income.

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	2020 1 EUR =	2021 1 EUR =	2020 1 EUR =	2021 1 EUR =
AUD	Australia	1.5878	1.5622	1.6561	1.5781
CNY	China	7.9777	7.2024	7.9017	7.6120
GBP	United Kingdom	0.8984	0.8401	0.8893	0.8581
HKD	Hong Kong	9.5118	8.8351	8.8952	9.1859
INR	India	89.6163	84.2390	84.9217	87.3248
JPY	Japan	126.4647	130.4249	121.8717	130.3173
SEK	Sweden	10.0295	10.2528	10.4793	10.1551
USD	United States	1.2268	1.1328	1.1468	1.1816

The carrying amounts of non-monetary assets recognised at significant consolidated companies operating in hyperinflationary economies are generally indexed in accordance with IAS 29 and thus reflect the current purchasing power at the reporting 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 reporting date. Currency translation differences are recognised in other operating income and expenses in the income statement. In the 2021 financial year, income of €336 million (previous year: €294 million) and expenses of €321 million (previous year: €308 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 included in the consolidated financial statements. The consolidated financial statements are prepared under the historical cost convention, except for items that are required to be recognised at their fair value.

Revenue and expense recognition

Deutsche Post DHL Group's normal business operations consist of the provision of logistics services comprising express delivery, freight transport, supply chain management, e-commerce solutions and letter and parcel dispatch in Germany. 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 is recognised when control over the goods or services transfers to the customer, i.e. when the customer has the ability to control the use of the transferred goods or services provided and generally derive their remaining benefits. There must be a contract with enforceable rights and obligations and, amongst other things, the receipt of consideration must be likely, taking into account the customer's credit quality. Revenue corresponds to the transaction price to which the Group is expected to be entitled. Variable consideration is included in the transaction price when it is highly probable that a significant reversal in the amount of revenue recognised will not occur and to the extent that the uncertainty associated with the variable consideration no longer exists. The Group does not expect to have contracts where the period between the transfer of the promised goods and/or services to the customer and payment by the customer exceeds one year. Accordingly, the promised consideration is not adjusted for the time value of money. For each performance obligation, revenue is either recognised at a point in time or over time. The obligation to perform transport services is fulfilled over time and revenue is recognised over the performance period.

The revenue generated by providing other logistics services is recognised in the reporting period in which the service was rendered.

Whenever third parties are involved in the performance of a service, a distinction must be drawn between the principal and agent. If Deutsche Post DHL Group serves as the principal, then the gross amount of revenue is recognised. If the Group acts as the agent, the net amount is recognised. The transaction price for this specific service is limited to the amount of the commission to be received. Deutsche Post DHL Group is generally the principal when transport services are provided.

Operating expenses are recognised in income when the service is utilised or when the expenses are incurred.

Intangible assets

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

Internally generated intangible assets are recognised 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 (excluding goodwill) are amortised using the straight-line method over their useful lives. Impairment losses are recognised in accordance with the principles described in the Impairment section. The useful lives of significant intangible assets are as follows:

Useful lives

	Years[1]
Internally developed software	up to 10
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 and goodwill, for example. Impairment testing is carried out in accordance with the principles described in the Impairment section.

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 equipment	4 to 5
Transport equipment and vehicle fleet	4 to 18
Other operating and office equipment	8 to 10

[1] The useful lives indicated represent maximum amounts specified by the Group. The actual useful lives may be shorter due to contractual arrangements or other specific factors such as time and location.

If there are indications of impairment, an impairment test must be carried out; see the Impairment section.

Impairment

At each reporting date, the carrying amounts of intangible assets, property, plant and equipment and investment property are reviewed for indications of impairment. If there are any such indications, an impairment test is carried out. This is done by determining the recoverable amount of the relevant asset and comparing it with the carrying amount.

In accordance with IAS 36, the recoverable amount is the asset's fair value less costs to sell or its value in use (present value of the pre-tax free cash flows expected to be derived from the asset in future), whichever is higher. The discount rate used for the value in use is a pre-tax rate of interest reflecting current market conditions. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets to which the asset in question can be allocated and which independently generates 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 it can be determined, the fair value or value in use of the individual assets represents their minimum carrying amount. 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 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.

Leases

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation.

Lessee

In accordance with IFRS 16, the Group as lessee has recognised at present value assets for the right of use received and liabilities for the payment obligations entered into for all leases in the balance sheet. Lease liabilities include the following lease payments:

- fixed payments, less lease incentives offered by the lessor;
- variable payments linked to an index or interest rate;
- expected residual payments from residual-value guarantees;
- the exercise price of call options when exercise is estimated to be sufficiently likely; and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Lease payments are discounted at the interest rate implicit in the lease to the extent that this can be determined. Otherwise, they are discounted at the incremental borrowing rate of the respective lessee.

Right-of-use assets are measured at cost, which comprises the following:

- lease liability;
- lease payments made at or prior to delivery, less lease incentives received;
- initial direct costs; and
- restoration obligations.

Right-of-use assets are subsequently measured at amortised cost. They are depreciated over the term of the lease using the straight-line method.

The Group makes use of the relief options provided for leases of low-value assets and short-term leases (shorter than 12 months) and expenses the payments in the income statement using the straight-line method. Additionally, the requirements do not apply to leases of intangible assets. The Group also exercises the option available for contracts comprising both lease and non-lease components to not separate these components, except in the case of real estate and aircraft leases. In addition, under IFRS 8, intra-Group leases – in line with internal management – are generally presented as operating leases in segment reporting.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Group the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. Changes due to the exercise or non-exercise of such options are considered in determining the lease term only if they are sufficiently probable.

Lessor

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 received in the period are recognised under other operating income or revenue if they belong to ordinary business activities.

Where the Group is the lessor in a finance lease, it recognises the assets as lease receivables in the amount of the net investment in the balance sheet.

As part of the review of leases in the Supply Chain division, the presentation of certain subleases embedded in customer contracts was standardised as finance leases at the lessor. In the balance sheet, this resulted in a reduction in rights of use and an increase in non-current financial assets; correspondingly, no revenue was recognised – to the extent that it was attributable to the lease – and the right of use was not amortised. In the cash flow statement, net cash from operating activities decreased accordingly. There was an opposite effect in net cash used in investing activities.

Investments accounted for using the equity method

Investments accounted for using the equity method cover associates and joint ventures. These are recognised using the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures. Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investment is increased or reduced annually to reflect the share of earnings, dividends distributed and other changes in the equity of the associates and joint ventures attributable to the investments of Deutsche Post AG or its consolidated subsidiaries. An impairment loss is recognised on investments accounted for using the equity method, including the goodwill in the carrying amount of the investment, if the recoverable amount falls below the carrying amount. Gains and losses from the disposal of investments accounted for using the equity method are recognised in other operating income or other operating expenses. Impairment losses and their reversal are recognised in net income/loss from investments accounted for using the equity method.

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. 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 leases, and derivative financial liabilities.

Measurement

The Group measures financial assets at fair value plus the transaction costs directly attributable to the acquisition of these assets on initial recognition if they are not subsequently measured at fair value through profit or loss. The transaction costs of assets measured at fair value through profit or loss are recognised as expenses. For financial liabilities measured according to the fair value option, the part of the change in fair value resulting from changes in the Group's own credit risk is recognised in other comprehensive income rather than in the income statement.

Classification

Financial assets are classified in the measurement categories below. The classification of debt instruments depends on the business model used to manage the financial assets and their contractual cash flows.

DEBT INSTRUMENTS AT AMORTISED COST

Debt instruments that are assigned to the "hold to collect contractual cash flows" business model and whose cash flows exclusively comprise interest and principal are measured and recognised at amortised cost. Interest income from these financial assets is reported in financial income using the effective interest method.

DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Debt instruments assigned to the "hold to collect and sell" business model must be measured and recognised at fair value. Gains and losses from fair value measurement are recognised in other comprehensive income. Cumulative gains and losses are reclassified to the income statement when the financial asset is derecognised.

DEBT INSTRUMENTS, DERIVATIVES AND EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Debt instruments, derivatives and equity instruments acquired to maximise their cash flows by selling them in the short to medium term are assigned to the "sell" business model. They are measured at fair value. The resulting measurement gains and losses are reported in the income statement.

EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

Most of the equity instruments that the Group invests in for strategic reasons are assigned to the FVOCI measurement category. They are measured at fair value. The effects of any change in the fair value of these equity instruments are recognised in other comprehensive income. On derecognition, these effects are not reclassified to the income statement. Dividends from such instruments are reported in other income in the income statement.

Impairment

The Group makes a forward-looking assessment of the expected credit losses associated with its debt instruments (expected-credit-loss model).

Expected credit loss (ECL) within the meaning of IFRS 9 is an estimate of credit loss over the expected lifetime of a financial instrument, weighted for the probability of default. A credit loss is the difference between the contractual cash flows to which the Group is entitled and the cash flows expected by the Group. The expected credit loss takes into account the amount and timing of payments. Accordingly, a credit loss may also occur if the Group expects payment to be made in full, but later than the contractually agreed date.

The Group distinguishes between two types of financial assets, both of which are subject to the ECL model: trade receivables and contract assets, on the one hand, and debt instruments measured at amortised cost, on the other. Cash and cash equivalents are also subject to the IFRS 9 impairment rules. However, the impairment loss identified is not material.

ECL is generally measured at the level of individual items; in exceptional cases, such as groups of receivables with the same credit risk characteristics, it is measured collectively at portfolio level. The Standard stipulates the three-stage general approach to determining credit loss for this process. This does not include trade receivables and contract assets.

In accordance with the three-stage model, debt instruments measured at amortised cost are initially recognised in Stage 1. The expected loss is equal to the loss that may occur due to possible default events in the 12 months following the reporting date. Financial assets that have experienced a significant increase in counterparty credit risk since initial recognition are transferred from Stage 1 to Stage 2. A significant increase includes situations in which debtors are no longer able to meet their payment obligations at short notice or when it appears that the debtor has experienced an actual or expected deterioration in business performance. The credit risk can then be measured using the probability of default (PD) over the instrument's lifetime (lifetime PD). The impairment loss is equivalent to the loss that may occur due to possible default events during the remaining term of the financial asset. Assets must be transferred from Stage 1 to Stage 2 when the contractual payments are more than 30 days past due. If there is objective evidence that a financial asset is impaired, it must be transferred to Stage 3. In cases where payments are more than 90 days past due, there is reason to believe that the debtor is experiencing significant financial difficulties. This constitutes objective evidence of a credit loss. The financial asset must therefore be transferred to Stage 3.

All debt instruments measured at amortised cost are considered to be at low risk of default. The impairment loss recognised in the period was therefore limited to the 12-month expected credit loss. Management considers listed bonds to meet the criteria for a low risk of default when they have been assigned an investment-grade rating by at least one major rating agency. Other instruments qualify for the low-default-risk category if the risk of non-performance is low and the debtor is at all times in a position to meet contractual payment obligations at short notice.

Trade receivables and contract assets are generally short term in nature and contain no significant financing components. According to the simplified impairment approach in IFRS 9, a loss allowance in an amount equal to the lifetime expected credit losses must be recognised for all instruments, regardless of their credit quality. The Group calculates the expected loss using impairment tables for the individual divisions. The loss estimate, documented by way of loss rates, encompasses all of the available information, including historical data, current economic conditions and reliable forecasts of future economic conditions (macroeconomic factors).

Impairment losses on trade receivables and contract assets are offset against gains on the reversal of impairment losses.

Further details are presented in note 43.

Derivatives and hedges

The Group began to apply the IFRS 9 hedge accounting requirements as at 1 January 2020.

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.

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 financial asset acquired or financial 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 the income statement. 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 43.

Recognition and derecognition

Regular-way purchases and sales of financial assets are recognised at the settlement date, with the exception of derivatives in particular. A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or have been transferred, and the Group has transferred essentially all risks and opportunities of ownership.

Financial liabilities are derecognised if the payment obligations arising from them have expired.

Netting

Financial assets and liabilities are offset on the basis of netting agreements (master netting arrangements) only if there is an enforceable right of offset and settlement on a net basis is intended as at the reporting date.

If the right of offset 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 then creates only a conditional right of offset.

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 in the Impairment section.

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 attached 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 for 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. Such deferred income is presented in other operating income.

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; they 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 affecting the existing control relationship, this is presented as an equity transaction. The difference between the proportionate net assets acquired from, or sold to, 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.

Cash-settled, share-based payments (stock appreciation rights, SARs) 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. Changes in value due to share price movements occurring after the grant date are recognised as other finance costs in net finance costs.

Retirement benefit plans

There are arrangements (plans) 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 and are referred to in these disclosures as retirement benefits, pensions and similar benefits, or pensions. A distinction must be made between defined benefit and defined contribution plans.

THE GROUP'S DEFINED BENEFIT RETIREMENT PLANS

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

DEFINED CONTRIBUTION RETIREMENT PLANS FOR CIVIL SERVANT EMPLOYEES IN GERMANY

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

Under the provisions of the *Gesetz zum Personalrecht der Beschäftigten der früheren Deutschen Bundespost* (PostPersRG – Former *Deutsche Bundespost* Employees Act), Deutsche Post AG provides retirement benefits and assistance benefits through the *Postbeamtenversorgungskasse* (PVK – Postal civil servant pension fund) at the *Bundesanstalt für Post und Telekommunikation* (BAnst PT – German federal post and telecommunications agency) to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. The amount of Deutsche Post AG's payment obligations is governed by Section 16 PostPersRG. This act obliges Deutsche Post AG to pay into the PVK an annual contribution of 33% of the gross compensation of its active civil servants and the notional gross compensation of civil servants on leave of absence who are eligible for a pension.

Under Section 16 PostPersRG, the federal government makes good the difference between the current payment obligations of the PVK on the one hand, and the funding companies' current contributions or other return on assets on the other, and guarantees that the PVK is able at all times to meet the obligations it has assumed in respect of its funding companies. Insofar as the federal government makes payments to the PVK under the terms of this guarantee, it cannot claim reimbursement from Deutsche Post AG.

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

Defined contribution retirement plans are in place for the Group's hourly workers and salaried employees, particularly in the United Kingdom, the United States and the Netherlands. The contributions to these plans are also reported in staff costs.

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

Regarding these multi-employer plans in the United States, contributions are made based on collective agreements between the employer and the local union, with the involvement of the pension fund. There is no employer liability to any of the plans beyond the bargained contribution rates except in the event of a withdrawal meeting specified criteria, which could then include a liability for other entities' obligations as governed by US federal law. The expected employer contributions to the funds for 2022 are €73 million (actual employer contributions in the reporting period: €66 million, in the previous year: €58 million). Some of the plans in which Deutsche Post DHL Group participates are underfunded according to information provided by the funds. No information is available to the Group that would indicate any change from the contribution rates set by current collective agreements. Deutsche Post DHL Group does not represent a significant level to any fund in terms of contributions, with the exception of one fund where the Group represents the largest employer in terms of contributions.

Contribution rates for one multi-employer retirement plan 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 liability for the employer towards the fund beyond the contributions set, even in the case of withdrawal or obligations not met by other entities. Any subsequent underfunding ultimately results in the rights of members being cut and / or no indexation of their rights. The expected employer contributions to the fund for 2022 are €29 million (actual employer contributions in the reporting period: €28 million, in the previous year: €25 million). As at 31 December 2021, the coverage degree of plan funding was above a required minimum of approximately 105%, according to information provided by the fund. Deutsche Post DHL Group does not represent a significant portion of the fund in terms of contributions.

Other provisions

Other provisions are recognised for all legal or constructive obligations to third parties existing at the reporting 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 −0.30% and 10.00% (previous year: 0.00% to 7.75%). The effects arising from changes in interest rates are recognised in net financial income / net finance cost.

Provisions for restructurings are only established in accordance with the aforementioned criteria for recognition if a detailed, formal restructuring plan has been drawn up and communicated to those affected.

The technical reserves (insurance) consist mainly of outstanding loss reserves and IBNR (incurred but not reported claims) reserves. Outstanding loss reserves represent estimates of 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 reporting 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
Financial liabilities are carried at fair value less transaction costs on initial recognition. The price determined in an 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. Financial liabilities are measured at amortised cost in subsequent periods. Any differences between the amount received and the amount repayable are recognised in the income statement over the term of the loan using the effective interest method.

Disclosures on financial liabilities under leases can be found in the Leases section.

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 back up to the issue amount over the term of the bond using the effective interest method (unwinding of the 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. Most of the trade payables have a maturity of less than one year. The fair value of the liabilities corresponds more or less to their carrying amount.

Deferred taxes
In accordance with IAS 12, deferred taxes are recognised for temporary differences between the carrying amounts in the IFRS financial statements and the tax accounts of the individual entities. Deferred tax assets also include tax reduction claims which arise from the expected future utilisation of existing tax loss carryforwards and which are likely to be realised. The recoverability of the tax reduction claims is assessed on the basis of each entity's earnings projections, which are derived from the Group projections and take any tax adjustments into account. The planning horizon is five years.

In compliance with IAS 12.24(b) and IAS 12.15(b), deferred tax assets or liabilities were only recognised for temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG where the differences arose after 1 January 1995. No deferred tax assets or liabilities are recognised for temporary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG as at 1 January 1995. Further details on deferred taxes on tax loss carryforwards can be found in note 28.

In accordance with IAS 12, deferred tax assets and liabilities are calculated using the tax rates applicable in the individual countries at the reporting date or announced for the time when the deferred tax assets and liabilities are realised. The tax rate applied to German Group companies is unchanged at 30.5%. It comprises the corporation tax rate plus the solidarity surcharge, as well as a municipal trade tax rate that is calculated as the average of the different municipal trade tax rates. Foreign Group companies use their individual income tax rates to calculate deferred tax items. The income tax rates applied for foreign companies amount to up to 38% (previous year: 38%).

Income taxes
Income tax assets and liabilities are recognised when they are probable. They are measured at the amounts for which repayments from, or payments to, the tax authorities are expected to be received or made. If uncertain tax items are recognised because they are probable, they are measured at their most likely amount. Tax-related fines are recognised in income taxes if they are included in the calculation of income tax liabilities, due to their inclusion in the tax base and/or tax rate. All income tax assets and liabilities are current and have maturities of less than one year.

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 in the balance sheet; note 44.

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, management must determine whether the assets are available for sale in their present condition and whether their sale is highly probable. If that is the case, the assets and associated liabilities must be measured and recognised as assets held for sale or liabilities associated with assets held for sale.

Estimates and assessments made by management

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make certain assumptions and estimates that may affect the amounts of the assets and liabilities included in the balance sheet, the amounts of income and expenses, and the disclosures relating to contingent liabilities. Examples of the main areas where assumptions, estimates and the exercise of management judgement occur are the recognition of provisions for pensions and similar obligations, the calculation of discounted cash flows for impairment testing and purchase price allocations, taxes and legal proceedings. Disclosures regarding the assumptions made in connection with the Group's defined benefit retirement plans can be found in note 37.

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 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 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 about the future. The Group carries out these tests annually and also whenever there are indications that goodwill has become impaired. The recoverable amount of the CGU must then be calculated. This amount is the higher of fair value less costs to sell and value in use. Determining value in use requires assumptions and estimates to be made with respect to forecast 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 asset charge 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 45. 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 advisors 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.

It is possible that climate change will give rise to uncertainties and risks for the net assets, financial position and results of operations of the Group. Increased restrictions imposed by law to combat climate change are expected in the coming years, including limits on air transport or access to city centres. In certain cases this may also affect our existing business models and our ability to operate optimally.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the reporting 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, **Combined management report, Expected developments, opportunities and risks.** In the event of developments in these economic parameters that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be significant adjustments in the 2022 financial year to the carrying amounts of the assets and liabilities recognised in the financial statements.

9 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and the subsidiaries, joint operations and investments accounted for using the equity method included in the consolidated financial statements and prepared in accordance with uniform accounting policies as at 31 December 2021.

Acquisition accounting for subsidiaries included in the consolidated financial statements uses the purchase method of accounting. The cost of the acquisition corresponds to the fair value of the assets given up, the equity instruments issued and the liabilities assumed at the transaction date. Acquisition-related costs are recognised as expenses. Contingent consideration is recognised at fair value at the date of initial consolidation.

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

In accordance with IAS 28, joint ventures and companies on which the parent can exercise significant influence (associates) are accounted for in accordance with the equity method using the purchase method of accounting. Any goodwill is recognised under investments accounted for using the equity method.

In the case of step acquisitions, the equity portion previously held is remeasured at the fair value applicable at the acquisition date, and the resulting gain or loss is recognised in the income statement.

Intra-Group revenue, other operating income, and expenses as well as receivables, liabilities and provisions between companies that are consolidated or proportionately consolidated are eliminated. Intercompany profits or losses from intra-Group deliveries and services not realised by sale to third parties are eliminated. Unrealised gains and losses from business transactions with investments accounted for using the equity method are eliminated on a proportionate basis.

Segment reporting disclosures

10 Segment reporting

Segments by division

€m	Express		Global Forwarding, Freight[1]		Supply Chain[1]		eCommerce Solutions		Post & Parcel Germany		Group Functions		Consolidation[1,2]		Group[1]	
1 January to 31 December	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
External revenue	18,722	23,704	14,784	21,553	12,457	13,760	4,692	5,792	15,983	16,895	79	44	–1	–1	**66,716**	**81,747**
Internal revenue	413	513	1,029	1,280	92	104	137	136	472	550	1,531	1,750	–3,674	–4,333	**0**	**0**
Total revenue	19,135	24,217	15,813	22,833	12,549	13,864	4,829	5,928	16,455	17,445	1,610	1,794	–3,675	–4,334	**66,716**	**81,747**
Profit/loss from operating activities (EBIT)	2,751	4,220	592	1,303	424	705	158	417	1,592	1,747	–669	–413	–1	–1	**4,847**	**7,978**
of which net income/loss from investments accounted for using the equity method	3	–2	–2	–1	1	2	–35	0	0	0	–2	33	1	0	**–34**	**32**
Segment assets	16,263	18,806	8,901	11,536	7,889	8,386	1,878	2,212	6,188	6,902	5,267	5,645	–80	–72	**46,306**	**53,415**
of which investments accounted for using the equity method	24	6	19	20	14	15	0	0	0	0	17	71	–1	–1	**73**	**111**
Segment liabilities	4,224	5,233	3,296	5,012	2,912	3,505	717	876	2,716	2,631	1,567	1,718	–62	–53	**15,370**	**18,922**
Net segment assets	12,039	13,573	5,605	6,524	4,977	4,881	1,161	1,336	3,472	4,271	3,700	3,927	–18	–19	**30,936**	**34,493**
Capex (assets acquired)	1,428	1,707	104	132	351	483	141	245	590	883	385	445	0	0	**2,999**	**3,895**
Capex (right-of-use assets)	974	1,246	207	215	973	667	143	178	14	14	448	760	0	0	**2,759**	**3,080**
Total capex	2,402	2,953	311	347	1,324	1,150	284	423	604	897	833	1,205	0	0	**5,758**	**6,975**
Depreciation and amortisation	1,383	1,511	246	245	849	756	164	179	329	334	753	744	–2	–2	**3,722**	**3,767**
Impairment losses	0	0	0	0	71	0	5	0	0	0	31	0	1	1	**108**	**1**
Total depreciation, amortisation and impairment losses	1,383	1,511	246	245	920	756	169	179	329	334	784	744	–1	–1	**3,830**	**3,768**
Other non-cash income (–) and expenses (+)	527	524	90	158	234	245	60	5	359	302	209	51	–1	0	**1,478**	**1,285**
Employees[3]	99,365	108,896	42,240	42,348	159,288	167,666	29,819	32,099	158,889	164,429	12,607	12,641	–1	0	**502,207**	**528,079**

[1] Prior-year amounts adjusted, note 4. [2] Including rounding. [3] Average FTEs.

Information about geographical regions

€m	Germany		Europe[1] (excluding Germany)		Americas		Asia Pacific		Middle East/Africa		Group[1]	
1 January to 31 December	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
External revenue	19,814	21,554	18,922	23,740	12,993	17,487	12,260	15,736	2,727	3,230	**66,716**	**81,747**
Non-current assets	10,093	11,043	10,526	11,308	7,782	8,943	4,817	5,213	599	686	**33,817**	**37,193**
Capex	1,707	2,347	1,409	1,746	1,887	2,085	615	606	140	191	**5,758**	**6,975**

[1] Prior-year amounts adjusted, note 4.

10.1 Segment reporting disclosures

Deutsche Post DHL Group reports five operating segments for the 2021 financial year; these are managed independently by the responsible segment management bodies in line with the products and services offered and the brands, distribution channels and customer profiles involved. Components of the entity are defined as a segment on the basis of the existence of segment managers with bottom-line responsibility who report directly to Deutsche Post DHL Group's top management.

External revenue is the revenue generated by the divisions from non-Group third parties. Internal revenue is revenue generated with other divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-oriented prices are used as transfer prices (arm's-length principle). The transfer prices for services for which no external market exists are generally based on incremental costs.

The expenses for 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 remuneration structure as the legal successor to *Deutsche Bundespost*, are allocated to the Post & Parcel Germany division.

In keeping with internal reporting, capital expenditure (capex) is disclosed. Additions to intangible assets net of goodwill and to property, plant and equipment, including right-of-use assets, are reported in the capex figure. Depreciation, amortisation and impairment losses relate to the segment assets allocated to the individual divisions. Other non-cash income and expenses relate primarily to expenses from the recognition of provisions.

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

10.2 Segments by division

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

Express

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

Global Forwarding, Freight

The Global Forwarding, Freight division comprises international air, ocean and overland freight forwarding services. The division's business units are Global Forwarding and Freight.

Supply Chain

The Supply Chain division delivers customised supply chain solutions to its customers based on globally standardised modular components including warehousing, transport and value-added services. The division comprises the Europe, Middle East and Africa, Americas and Asia Pacific regions.

eCommerce Solutions
The eCommerce Solutions division is home to the Group's international parcel delivery business. The core business activities are domestic parcel delivery in selected countries in Europe, the United States and Asia and non-TDI cross-border services.

Post & Parcel Germany
The Post & Parcel Germany division transports, sorts and delivers documents and goods in and outside of Germany. Its business units are called Post Germany, Parcel Germany and International.

In addition to the reported segments shown above, segment reporting comprises the following categories:

Group Functions
Group Functions includes Corporate Center, Global Business Services (GBS) and Customer Solutions & Innovation (CSI). 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 is presented following consolidation of interdivisional transactions. The transactions between the divisions are eliminated in the Consolidation column.

10.3 Information about geographical regions

The main geographical regions in which the Group is active are Germany, Europe (excluding Germany), the Americas, Asia Pacific and Middle East and Africa. 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 comprise intangible assets, property, plant and equipment and other non-current assets (excluding pension assets).

10.4 Reconciliation of segment amounts to consolidated amounts

The following table shows the reconciliation of Deutsche Post DHL Group's total assets to the segment assets. Financial asset components, income tax assets, deferred taxes, cash and cash equivalents and other asset components are deducted.

Reconciliation to segment assets

€m

	2020	2021
Total equity and liabilities	55,307	63,592
Investment property	–12	–48
Non-current financial assets	–579	–1,006
Other non-current assets	–20	–421
Deferred tax assets	–2,390	–1,943
Income tax assets	–209	–230
Receivables and other current assets	–10	–9
Current financial assets	–1,299	–2,989
Cash and cash equivalents	–4,482	–3,531
Segment assets	**46,306**	**53,415**
of which Group Functions	5,267	5,645
total for reported segments	41,119	47,842
Consolidation[1]	–80	–72

[1] Including rounding.

The following table shows the reconciliation of Deutsche Post DHL Group's total liabilities to the segment liabilities. Components of the provisions and liabilities as well as income tax liabilities and deferred taxes are deducted.

Reconciliation to segment liabilities

€m

	2020	2021
Total equity and liabilities	55,307	63,592
Equity	–14,078	–19,499
Consolidated liabilities	**41,229**	**44,093**
Non-current provisions and liabilities	–22,237	–21,513
Current provisions and liabilities	–3,622	–3,658
Segment liabilities	**15,370**	**18,922**
of which Group Functions	1,567	1,718
total for reported segments	13,865	17,257
Consolidation	–62	–53

The following table shows the reconciliation of the segment amounts to the income statement:

Reconciliation to the income statement

€m	Total for reported segments[1]		Group Functions		Reconciliation to Group/Consolidation[1,2]		Consolidated amount[1]	
	2020	2021	2020	2021	2020	2021	2020	2021
External revenue	66,638	81,704	79	44	−1	−1	**66,716**	**81,747**
Internal revenue	2,143	2,583	1,531	1,750	−3,674	−4,333	**0**	**0**
Total revenue	**68,781**	**84,287**	**1,610**	**1,794**	**−3,675**	**−4,334**	**66,716**	**81,747**
Other operating income	1,983	2,236	1,637	1,607	−1,525	−1,552	**2,095**	**2,291**
Changes in inventories and work performed and capitalised	248	214	43	134	1	0	**292**	**348**
Materials expense	−36,297	−46,955	−1,195	−1,325	3,788	4,383	**−33,704**	**−43,897**
Staff costs	−21,175	−22,778	−1,068	−1,112	9	11	**−22,234**	**−23,879**
Depreciation, amortisation and impairment losses	−3,047	−3,025	−784	−744	1	1	**−3,830**	**−3,768**
Other operating expenses	−4,943	−5,586	−910	−800	1,399	1,490	**−4,454**	**−4,896**
Net income/loss from investments accounted for using the equity method	−33	−1	−2	33	1	0	**−34**	**32**
Profit/loss from operating activities (EBIT)	**5,517**	**8,392**	**−669**	**−413**	**−1**	**−1**	**4,847**	**7,978**
Net finance costs							**−676**	**−619**
Profit before income taxes							**4,171**	**7,359**
Income taxes							**−995**	**−1,936**
Consolidated net profit for the period							**3,176**	**5,423**
of which attributable to								
Deutsche Post AG shareholders							**2,979**	**5,053**
Non-controlling interests							**197**	**370**

[1] Prior-year amounts adjusted.
[2] Including rounding.

Income statement disclosures

11 Revenue by business unit

€m	2020	2021
Express	**18,722**	**23,704**
Global Forwarding, Freight	**14,784**	**21,553**
Global Forwarding[1]	11,368	17,795
Freight	3,416	3,758
Supply Chain[1]	**12,457**	**13,760**
eCommerce Solutions	**4,692**	**5,792**
Post & Parcel Germany	**15,983**	**16,895**
Post Germany	7,986	7,952
Parcel Germany	5,885	6,756
International	1,944	2,036
Other	168	151
Group Functions/Consolidation	**78**	**43**
Total revenue	**66,716**	**81,747**

[1] Prior-period amounts adjusted, note 4.

The total amount includes revenue from performance obligations in the amount of €45 million (previous year: €12 million) settled in prior periods.

The change in revenue of €15,031 million is attributable exclusively to organic growth driven by volume and price effects and includes negative currency effects of €301 million; for detailed information, see Combined management report.

The allocation of revenue to geographical regions is presented in the segment reporting.

12 Other operating income

€m	2020	2021
Income from currency translation	294	336
Insurance income	268	301
Income from the reversal of provisions	191	274
Income from the remeasurement of liabilities	160	195
Operating lease income	110	130
Income from fees and reimbursements	110	112
Subsidies	177	96
Income from the disposal of assets	49	85
Sublease income	65	74
Income from prior-period billings	53	61
Income from loss compensation	36	30
Income from the derecognition of liabilities	25	25
Recoveries on receivables previously written off	18	18
Reversals of impairment losses on receivables and other assets	3	16
Income from derivatives	46	6
Miscellaneous	490	532
Total	**2,095**	**2,291**

The increase in income from the reversal of provisions relates, among other things, to the early retirement programme, and insurance-related items.

Income from operating leases was attributable mainly to leasing of the aircraft fleet's cargo space.

In the previous year, greater use was made of government subsidies for labour costs in the course of lockdown measures in the United Kingdom.

Miscellaneous other operating income includes a large number of smaller individual items.

13 Changes in inventories and work performed and capitalised

€m	2020	2021
Changes in inventories – expense (–)/income (+)	74	66
Work performed and capitalised	218	282
Total	**292**	**348**

Changes in inventories are largely attributable to real estate development projects. The increase in work performed and capitalised is largely attributable to the production of StreetScooter electric vehicles for Group companies.

14 Materials expense

€m	2020	2021
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Aircraft fuel	1,012	1,833
Fuel	664	762
Packaging material	345	401
Goods purchased and held for resale	469	302
Spare parts and repair materials	132	150
Office supplies	101	96
Other expenses	365	250
	3,088	**3,794**
Cost of purchased services		
Transport costs[1]	24,173	32,434
Cost of temporary staff and services	2,106	2,559
Maintenance costs	1,470	1,586
IT services	633	773
Lease expenses		
Short-term leases	490	506
Leases (incidental expenses)	101	110
Low-value asset leases	60	74
Variable lease payments	17	21
Commissions paid	608	637
Other purchased services	958	1,403
	30,616	**40,103**
Materials expense	**33,704**	**43,897**

[1] Prior-year figures adjusted, note 4.

The increase in materials expense resulted mainly from a rise in transport costs in the Global Forwarding, Freight division and higher aircraft fuel costs in the Express division.

A total of €103 million (previous year: €106 million) of the other expenses included in the cost of raw materials, consumables and supplies, and of goods purchased and held for resale, relates to the production of electric vehicles.

The other expenses item includes furthermore a large number of individual items.

15 Staff costs/employees

€m	2020	2021
Wages, salaries and compensation	17,701	18,987
Social security contributions	2,705	2,921
Retirement benefit expenses	944	1,031
Expenses for other employee benefits	884	940
Staff costs	**22,234**	**23,879**

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 financial year. The rise was due largely to salary increases and new hires. As in the previous year, further expenses were also incurred for the early retirement programme in the amount of €40 million (previous year: €108 million).

Wages, salaries and compensation include a special bonus of €300 paid to each employee in recognition of their service during the past several months, as in the previous year, and led to an additional expense of €165 million (previous year: €163 million).

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. These expenses also include contributions to defined contribution retirement plans for civil servants in Germany in the amount of €347 million (previous year: €376 million), as well as for the Group's hourly workers and salaried employees, totalling €410 million (previous year: €352 million), note 7. For information on the increase in retirement benefit expenses, see note 37.

The average number of Group employees in the reporting period, broken down by employee group, was as follows:

Employees

	2020	2021
Headcount (annual average)		
Hourly workers and salaried employees	518,277	547,889
Civil servants	23,611	21,203
Trainees	5,240	4,955
Total	**547,128**	**574,047**
Full-time equivalents[1]		
As at 31 December	526,896	548,042
Average for the year	502,207	528,079

[1] Including trainees.

The employees of companies acquired or disposed of during the financial year were included rateably. The number of full-time equivalents at joint operations included in the consolidated financial statements as at 31 December 2021 amounted to 527 on a proportionate basis (previous year: 422).

16 Depreciation, amortisation and impairment losses

€m	2020	2021
Amortisation of and impairment losses on intangible assets (excluding goodwill), of which impairment losses: 0 (previous year: 3)	**203**	**201**
Depreciation of and impairment losses on property, plant and equipment acquired, of which impairment losses: 0 (previous year: 19)		
Land and buildings	224	235
Technical equipment and machinery	381	401
Transport equipment	289	311
Aircraft	384	459
IT equipment	149	147
Operating and office equipment	104	95
	1,531	**1,648**
Depreciation of and impairment losses on right-of-use assets, of which impairment losses: 0 (previous year: 73)		
Land and buildings	1,494	1,347
Technical equipment and machinery	45	43
Transport equipment	229	223
Aircraft	310	296
IT equipment	1	1
Investment property	4	9
	2,083	**1,919**
Impairment of goodwill	**13**	**0**
Depreciation, amortisation and impairment losses	**3,830**	**3,768**

The impairment losses for the financial year are spread amongst different asset classes and each amounts to less than €1 million after rounding. The impairment losses for the prior year in the amount of €108 million can be found in the segment reporting. These related chiefly to negative impacts stemming from lockdown measures resulting from the pandemic and to property, plant and equipment as well as rights of use acquired. Goodwill impairment is attributable to the realignment of StreetScooter GmbH.

17 Other operating expenses

€m	2020	2021
Cost of purchased cleaning and security services	475	568
Warranty expenses, refunds and compensation payments	515	482
Expenses for advertising and public relations	331	433
Other business taxes	306	322
Currency translation expenses	308	321
Office supplies	208	247
Travel and training costs	225	244
Telecommunication costs	211	225
Write-downs and remeasurements	189	218
Insurance costs	186	204
Customs clearance-related charges	165	196
Services provided by *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	162	166
Consulting costs (including tax advice)	103	139
Entertainment and corporate hospitality expenses	102	126
Monetary transaction costs	82	107
Voluntary social benefits	78	89
Losses on disposal of assets	102	86
Contributions and fees	65	79
Commissions paid	66	76
Legal costs	63	75
Audit costs	32	33
Donations	27	28
Expenses from prior-period billings	19	16
Expenses from derivatives	8	5
Miscellaneous	426	411
Total	**4,454**	**4,896**

The increase in the cost of purchased cleaning and security services resulted from the stepped-up safety measures due to the COVID-19 pandemic.

Expenses for advertising and public relations rose for reasons including the global brand campaign.

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

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

18 Net finance costs

€m	2020	2021
Financial income		
Interest income	74	101
Gains on changes in fair value of financial assets	127	80
Other financial income	19	10
	220	**191**
Finance costs		
Interest expense from unwinding discounts on provisions	–89	–46
Interest expense on leases	–394	–383
Other interest expenses	–151	–142
Losses on changes in fair value of financial assets	–145	–107
Other finance costs	–59	–68
	–838	**–746**
Foreign currency result	**–58**	**–64**
Net finance costs	**–676**	**–619**

Of interest income, €16 million relates to income from finance lease receivables.

The expense from the unwinding of discounts on bonds resulting from the application of the effective interest method amounted to €12 million (previous year: €13 million).

Interest income and interest expenses result from financial assets and liabilities that were not measured at fair value through profit or loss.

Information on interest expenses from unwinding discounted net pension provisions can be found in note 37. Positive effects on the interest expense resulted from changes in the discount rate for other non-current provisions.

19 Income taxes

€m	2020	2021
Current income tax expense	–870	–1,459
Current recoverable income tax	12	47
	–858	**–1,412**
Deferred tax income from temporary differences	28	13
Deferred tax expense from tax loss carryforwards	–165	–537
	–137	**–524**
Income taxes	**–995**	**–1,936**

The reconciliation to the effective income tax expense based on consolidated net profit before income taxes and the expected income tax expense is as follows:

Reconciliation

€m	2020	2021
Profit before income taxes	4,171	7,359
Expected income taxes	−1,272	−2,244
Deferred tax assets not recognised for initial differences	9	1
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	45	19
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	253	241
Effect from previous years on current taxes	−16	−13
Tax-exempt income and non-deductible expenses	−115	−194
Differences in tax rates at foreign companies	101	254
Income taxes	**−995**	**−1,936**

The difference from deferred tax assets not recognised for initial differences is due to differences between the carrying amounts in the opening tax accounts of Deutsche Post AG and the carrying amounts in the IFRS financial statements as at 1 January 1995 (initial differences). 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 pension provisions and similar obligations. The remaining temporary differences between the original IFRS carrying amounts, net of accumulated depreciation or amortisation, and the tax base amounted to €107 million as at 31 December 2021 (previous year: €109 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.

Effects from deferred tax assets not recognised for tax loss carryforwards and temporary differences in the amount of €7 million (previous year: €8 million) relate to the reduction of the effective income tax expense due to the utilisation of tax loss carryforwards and temporary differences, for which deferred tax assets had previously not been recognised. In addition, the recognition of deferred tax assets previously not recognised for tax loss carryforwards and of deductible temporary differences from a prior period (and resulting mainly from the Americas region) reduced the deferred tax expense by €323 million (previous year: €368 million). Effects from unrecognised deferred tax assets amounting to €4 million (previous year: €5 million) were due to a valuation allowance recognised for a deferred tax asset. Other effects from unrecognised deferred tax assets relate primarily to tax loss carryforwards for which no deferred taxes were recognised.

A deferred tax asset in the amount of €34 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 the 2021 financial year, the change in the UK tax rate gave rise to a deferred tax expense of €52 million. In other tax jurisdictions abroad, tax rate changes had no material effect; there was no effect whatsoever at domestic Group companies.

The effective income tax expense includes prior-period tax expenses from German and foreign companies in the amount of €13 million (tax expense) (previous year: expense of €16 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
2021			
Change due to remeasurements of net pension provisions	2,005	−78	**1,927**
Hedging reserves	29	−6	**23**
Reserve for equity instruments without recycling	16	−1	**15**
Currency translation reserve	925	0	**925**
Share of other comprehensive income of investments accounted for using the equity method	6	0	**6**
Other comprehensive income	**2,981**	**−85**	**2,896**
2020			
Change due to remeasurements of net pension provisions	−1,087	80	**−1,007**
Hedging reserves	−18	6	**−12**
Reserve for equity instruments without recycling	−5	0	**−5**
Currency translation reserve	−954	0	**−954**
Share of other comprehensive income of investments accounted for using the equity method	−8	1	**−7**
Other comprehensive income	**−2,072**	**87**	**−1,985**

20 Earnings per share

Basic earnings per share are computed in accordance with IAS 33, Earnings per Share, by dividing consolidated net profit by the weighted average number of shares outstanding. Outstanding shares relate to issued capital less any treasury shares held. Basic earnings per share for the 2021 financial year were €4.10 (previous year: €2.41).

Basic earnings per share

		2020	2021
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,979	5,053
Weighted average number of shares outstanding	number	1,236,900,096	1,232,451,264
Basic earnings per share	**€**	**2.41**	**4.10**

Diluted earnings per share

		2020	2021
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,979	5,053
Plus interest expense on the convertible bond	€m	8	8
Less income taxes	€m	1	1
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,986	5,060
Weighted average number of shares outstanding	number	1,236,900,096	1,232,451,264
Potentially dilutive shares	number	28,591,660	29,645,735
Weighted average number of shares for diluted earnings	number	1,265,491,756	1,262,096,999
Diluted earnings per share	**€**	**2.36**	**4.01**

To compute diluted earnings per share, the weighted average number of shares outstanding is adjusted for the number of all potentially dilutive shares. This item includes the executives' rights to shares under the Performance Share Plan and Share Matching Scheme (as at 31 December 2021: 11,678,092 shares; previous year: 10,649,742) and the maximum number of ordinary shares that can be issued on exercise of the conversion rights under the convertible bond issued in December 2017. Consolidated net profit for the period attributable to Deutsche Post AG shareholders was increased by the amounts spent for the convertible bond.

Diluted earnings per share in the reporting period were €4.01 (previous year: €2.36).

21 Dividend per share

A dividend per share of €1.80 is being proposed for the 2021 financial year (previous year: €1.35 paid). Further details on the dividend distribution can be found in note 35.

Balance sheet disclosures

22 Intangible assets

22.1 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 as at 1 January 2020	**1,291**	**476**	**45**	**1,587**	**12,398**	**106**	**15,903**
Additions from business combinations	0	0	0	1	0	0	**1**
Additions	39	0	0	62	0	132	**233**
Reclassifications	58	0	0	76	0	−101	**33**
Disposals	−111	0	0	−125	0	−12	**−248**
Currency translation differences	−4	−26	−4	−36	−358	0	**−428**
Balance as at 31 December 2020/1 January 2021	**1,273**	**450**	**41**	**1,565**	**12,040**	**125**	**15,494**
Additions	43	0	0	60	0	152	**255**
Reclassifications	66	0	0	81	0	−110	**37**
Disposals	−73	0	0	−139	−14	−6	**−232**
Currency translation differences	4	30	2	33	392	1	**462**
Balance as at 31 December 2021	**1,313**	**480**	**43**	**1,600**	**12,418**	**162**	**16,016**
Depreciation, amortisation and impairment losses							
Balance as at 1 January 2020	**1,133**	**445**	**23**	**1,253**	**1,062**	**0**	**3,916**
Depreciation, amortisation and impairment losses	67	0	4	129	0	0	**200**
Impairment losses	1	0	0	2	13	0	**16**
Reclassifications	2	0	0	−2	0	1	**1**
Disposals	−102	0	0	−108	0	0	**−210**
Currency translation differences	−3	−23	−1	−27	−33	0	**−87**
Balance as at 31 December 2020/1 January 2021	**1,098**	**422**	**26**	**1,247**	**1,042**	**1**	**3,836**
Depreciation, amortisation and impairment losses	65	0	3	133	0	0	**201**
Reclassifications	−1	0	0	1	0	0	**0**
Disposals	−59	0	0	−120	−13	0	**−192**
Currency translation differences	2	28	2	27	36	0	**95**
Balance as at 31 December 2021	**1,105**	**450**	**31**	**1,288**	**1,065**	**1**	**3,940**
Carrying amount as at 31 December 2021	**208**	**30**	**12**	**312**	**11,353**	**161**	**12,076**
Carrying amount as at 31 December 2020	**175**	**28**	**15**	**318**	**10,998**	**124**	**11,658**

Goodwill impairment in the previous year related exclusively to StreetScooter GmbH, note 16.

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.

22.2 Allocation of goodwill to CGUs

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 determined iteratively.

€m	31 Dec. 2020	31 Dec. 2021
Express	3,895	3,910
Global Forwarding, Freight		
Global Forwarding	3,858	4,072
Freight	278	279
Supply Chain	1,887	1,977
eCommerce Solutions	160	159
Post & Parcel Germany	920	956
Total goodwill	**10,998**	**11,353**

The cash flow projections are based on the detailed planning for EBIT, depreciation and amortisation / 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 2022 to 2024. Planning is supplemented by a perpetual annuity representing the value added from 2025 onwards. This is calculated using a long-term growth rate, which is determined for each CGU separately and 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 sub-markets and in global trade, and the ongoing trend towards outsourcing logistics activities. Cost trend forecasts for the transport network and services also have an impact on value in use. A key planning assumption for the impairment test is the EBIT margin for the perpetual annuity.

The pre-tax cost of capital is based on the weighted average cost of capital. The (pre-tax) discount rates for the material CGUs and the growth rates assumed in each case for the perpetual annuity are shown in the following table:

%	Discount rates		Growth rates	
	2020	2021	2020	2021
Express	5.8	6.0	2.0	2.0
Global Forwarding, Freight				
Global Forwarding	6.5	7.0	2.5	2.5
Freight	6.7	7.2	2.0	2.0
Supply Chain	6.5	7.0	2.5	2.5
eCommerce Solutions	6.6	7.2	1.5	1.5
Post & Parcel Germany	6.1	6.9	0.5	0.5

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 2021.

When performing the impairment test, Deutsche Post DHL Group conducted sensitivity analyses for the significant CGUs in accordance with IAS 36.134 for the EBIT margin, the discount rate and the growth rate. These analyses – which included varying the essential valuation parameters within an appropriate range – did not reveal any risk of impairment to goodwill.

23 Property, plant and equipment

Overview of property, plant and equipment, including right-of-use assets

€m	Land and buildings	Technical equipment and machinery	IT systems, operating and office equipment	Aircraft	Transport equipment	Advance payments and assets under development	Total
Cost							
Balance as at 1 January 2020	**15,516**	**6,385**	**2,529**	**5,312**	**3,793**	**1,759**	**35,294**
Additions from business combinations[1]	16	9	2	83	1	11	**122**
Additions	2,171	249	136	714	672	1,583	**5,525**
Reclassifications	203	336	114	925	35	−1,647	**−34**
Disposals	−731	−217	−192	−383	−341	−30	**−1,894**
Currency translation differences	−503	−157	−94	−299	−89	−73	**−1,215**
Balance as at 31 December 2020/1 January 2021	**16,672**	**6,605**	**2,495**	**6,352**	**4,071**	**1,603**	**37,798**
Additions from business combinations[2]	0	0	0	35	5	0	**40**
Additions	2,428	240	125	719	738	2,470	**6,720**
Reclassifications	360	520	129	881	101	−2,025	**−34**
Disposals	−1,457	−198	−335	−187	−355	−27	**−2,559**
Currency translation differences	330	124	61	343	64	49	**971**
Balance as at 31 December 2021	**18,333**	**7,291**	**2,475**	**8,143**	**4,624**	**2,070**	**42,936**
Depreciation, amortisation and impairment losses							
Balance as at 1 January 2020	**4,821**	**3,652**	**1,836**	**1,927**	**1,755**	**0**	**13,991**
Additions from business combinations[1]	12	7	1	43	1	0	**64**
Depreciation, amortisation and impairment losses	1,652	418	252	694	502	0	**3,518**
Impairment losses	66	7	2	0	17	0	**92**
Reclassifications	1	1	−2	0	−4	2	**−2**
Reversals of impairment losses	−2	0	0	0	0	0	**−2**
Disposals	−466	−155	−180	−328	−273	0	**−1,402**
Currency translation differences	−188	−85	−64	−89	−42	0	**−468**
Balance as at 31 December 2020/1 January 2021	**5,896**	**3,845**	**1,845**	**2,247**	**1,956**	**2**	**15,791**
Additions from business combinations[2]	0	0	0	8	5	0	**13**
Depreciation, amortisation and impairment losses	1,582	444	243	755	534	0	**3,558**
Impairment losses	0	0	0	0	0	0	**0**
Reclassifications	1	−15	8	0	12	−2	**4**
Reversals of impairment losses	−10	0	0	0	0	0	**−10**
Disposals	−757	−171	−325	−156	−306	0	**−1,715**
Currency translation differences	142	72	45	98	35	0	**392**
Balance as at 31 December 2021	**6,854**	**4,175**	**1,816**	**2,952**	**2,236**	**0**	**18,033**
Carrying amount as at 31 December 2021	**11,479**	**3,116**	**659**	**5,191**	**2,388**	**2,070**	**24,903**
Carrying amount as at 31 December 2020	**10,776**	**2,760**	**650**	**4,105**	**2,115**	**1,601**	**22,007**

[1] Change in the method of consolidation. [2] Proportionate change from joint operations.

Disclosures on right-of-use assets are contained in note 41.

In the prior year, disposals related primarily to disposals of right-of-use assets as a result of amended lease terms and terminations. In the 2021 financial year, a portion of disposals was attributable to the reclassification of subleases embedded in customer contracts to financial assets, note 7.

Advance payments relate only to advance payments on items of property, plant and equipment for which the Group has paid advances in connection with incomplete transactions. They relate in particular to the renewal of the Express air fleet. Advances for this purpose amounted to €412 million in the financial year (previous year: €587 million). Assets under development relate to items of property, plant and equipment in progress at the reporting date for whose production internal or third-party costs have already been incurred.

24 Investment property

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

€m	2020	2021
Cost		
Balance as at 1 January	38	28
Additions	0	4
Reclassifications	–6	39
Disposals	–1	–1
Currency translation differences	–3	1
Balance as at 31 December	**28**	**71**
Depreciation, amortisation and impairment losses		
Balance as at 1 January	13	16
Depreciation, amortisation and impairment losses	4	9
Disposals	–1	–1
Reclassifications	1	–1
Currency translation differences	–1	0
Balance as at 31 December	**16**	**23**
Carrying amount as at 31 December	**12**	**48**
of which right-of-use assets	7	41

25 Investments accounted for using the equity method

The following table is an overview of the carrying amount in the consolidated financial statements and selected financial data for those companies which, both individually and in the aggregate, are not of material significance for the Group.

The previous year was marked by impairment losses on France-based Relais Colis SAS in the amount of €30 million due to lockdown measures. As part of a public flotation of Global-E Online, Israel, in May 2021, a capital measure was carried out at the company which led to the dilution of shares held. The dilution and the resulting remeasurement of the shares generated income of €39 million.

€m	Associates		Joint ventures		Total	
	2020	2021	2020	2021	2020	2021
Balance as at 1 January	108	58	15	15	**123**	**73**
Additions	13	2	0	0	**13**	**2**
Disposals	–19	0	0	0	**–19**	**0**
Impairment losses	–30	–3	0	0	**–30**	**–3**
Changes in Group's share of equity						
Changes recognised in profit or loss	–5	34	1	1	**–4**	**35**
Profit distributions	–2	–2	0	0	**–2**	**–2**
Changes recognised in other comprehensive income	–7	6	–1	0	**–8**	**6**
Balance as at 31 December	**58**	**95**	**15**	**16**	**73**	**111**
Aggregate financial data						
Profit after income taxes	–5	–11	1	1	**–4**	**–10**
Other comprehensive income	–7	6	–1	0	**–8**	**6**
Total comprehensive income	–12	–5	0	1	**–12**	**–4**

26 Financial assets

€m	Non-current		Current		Total	
	2020	2021	2020	2021	2020	2021
Assets measured at cost	466	834	81	1,257	**547**	**2,091**
Assets at fair value through other comprehensive income	29	46	0	0	**29**	**46**
Assets at fair value through profit or loss	251	310	1,234	1,831	**1,485**	**2,141**
Financial assets	**746**	**1,190**	**1,315**	**3,088**	**2,061**	**4,278**

Assets measured at cost include €579 million (previous year: €107 million) in receivables from finance leases. The increase relates primarily to the receivables from certain embedded subleases, note 7. The notional amounts of the outstanding lease payments have the following maturity dates:

Maturities of undiscounted lease payments 2021

€m	
Up to 1 year	160
More than 1 year to 2 years	139
More than 2 years to 3 years	108
More than 3 years to 4 years	70
More than 4 years to 5 years	46
More than 5 years	100
Total undiscounted lease payments	**623**
Interest component included over entire term	–44
Receivable from leasing	**579**
of which current	160
non-current	419

Assets measured at cost also include the deposit made in conjunction with the acquisition of Hillebrand of €100 million. At the same time, assets measured at cost increased through the purchase of term deposits, and assets measured at fair value through profit or loss increased, largely on account of the purchase of money market fund shares. For details on impairment losses, default risk, maturity structures and restraints on disposal, see note 43.

27 Other assets

€m	2020	2021
Prepaid expenses	937	1,593
Tax receivables	551	632
Pension assets, non-current only	20	421
Income from cost absorption	111	208
Contract assets	182	113
Other assets from insurance contracts	115	97
Creditors with debit balances	66	89
Receivables from private postal agencies	37	88
Recoverable start-up costs, non-current only	66	87
Receivables from insurance business	50	69
Receivables from loss compensation (recourse claims)	54	59
Receivables from employees	27	34
Receivables from cash on delivery	3	5
Miscellaneous, of which non-current: 79 (previous year: 74)	756	680
Other assets	**2,975**	**4,175**
of which current	2,815	3,588
non-current	160	587

The increase in prepaid expenses results primarily from the growth of business in Global Forwarding, Freight and the corresponding increase in prepayments for transport services.

Pension assets increased, primarily because of actuarial gains, note 37.

Of the tax receivables, €478 million (previous year: €430 million) relates to VAT, €109 million (previous year: €86 million) to customs and duties and €45 million (previous year: €35 million) to other tax receivables.

Miscellaneous other assets include a large number of individual items.

28 Deferred taxes

Breakdown by balance sheet item and maturity

€m	2020		2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	22	111	13	145
Property, plant and equipment	416	1,995	479	2,102
Non-current financial assets	2	66	3	34
Other non-current assets	14	26	16	44
Other current assets	65	58	67	102
Provisions	589	44	640	159
Financial liabilities	1,632	26	1,700	24
Other liabilities	198	10	244	13
Tax loss carryforwards	1,752		1,267	
Gross amount	**4,690**	**2,336**	**4,429**	**2,623**
of which current	954	242	1,029	231
non-current	3,736	2,094	3,400	2,392
Netting	−2,300	−2,300	−2,486	−2,486
Carrying amount	**2,390**	**36**	**1,943**	**137**

A total of €438 million (previous year: €1,065 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €829 million (previous year: €687 million) to foreign tax loss carryforwards (mainly from the Americas region).

No deferred tax assets were recognised for tax loss carryforwards of around €1.7 billion (previous year: €2.6 billion) chiefly from the Americas region and for temporary differences of around €3.0 billion (previous year: €4.1 billion) primarily from Germany, 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.

The tax loss carryforwards from the Americas region for which no deferred tax assets were recognised do not expire prior to 2029.

Deferred taxes have not been recognised for temporary differences of €568 million (previous year: €403 million) for accrued earnings of German and foreign subsidiaries, because these temporary differences will probably not reverse in the foreseeable future.

29 Inventories

€m	2020	2021
Raw materials, consumables and supplies	202	222
Work in progress	196	254
Finished goods and goods purchased and held for resale	30	106
Advance payments	11	11
Inventories	**439**	**593**

The increase in finished goods and work in progress is attributable mainly to real estate development projects. Adequate valuation allowances were recognised.

30 Trade receivables

For information on impairment losses, default risk and maturity structures, see note 43.

€m	2020	2021
Trade receivables	8,222	10,607
Deferred revenue	763	1,076
Trade receivables	**8,985**	**11,683**

31 Cash and cash equivalents

€m	2020	2021
Cash equivalents	2,787	1,238
Bank balances/cash in transit	1,635	2,231
Cash	17	11
Other cash and cash equivalents	43	51
Cash and cash equivalents	**4,482**	**3,531**

Of the €3,531 million in cash and cash equivalents, €1,905 million was not available for general use by the Group as at the reporting date (previous year: €1,248 million). Of this amount, €1,818 million (previous year: €1,169 million) was attributable to countries where exchange controls or other legal restrictions apply (mostly China, India and Thailand) and €87 million (previous year: €79 million) primarily to companies with non-controlling-interest shareholders.

32 Assets held for sale and liabilities associated with assets held for sale

The amounts reported in this item relate mainly to the following items:

€m	Assets		Liabilities	
	2020	2021	2020	2021
Sale of StreetScooter production rights – Group Functions segment	0	18	0	4
Sale of Greenplan GmbH, Germany – Group Functions segment	0	2	0	1
Sale of Steinfurt property, Germany – Group Functions segment	9	0	0	0
Sale of fuel business of DHL Supply Chain Limited, United Kingdom – Supply Chain segment	7	0	7	0
Other	0	1	0	0
Assets held for sale and liabilities associated with assets held for sale	**16**	**21**	**7**	**5**

On 3 January 2022, Deutsche Post DHL Group sold the production rights and the complete ownership of the intangible assets for the production of StreetScooter electric vans as well as all shares in StreetScooter Japan K.K. and StreetScooter Schweiz to ODIN Automotive S.à.r.L., Luxembourg, note 51. As at 31 December 2021, the corresponding assets and liabilities were disclosed under assets and liabilities held for sale. The assets comprise primarily intangible assets, rights of use and cash and cash equivalents. The liabilities comprise primarily lease liabilities.

Deutsche Post DHL Group intends to sell Greenplan GmbH, a provider of route-planning solutions. With the sale, the Group is continuing the adjustment of its portfolio in favour of its core business. The most recent remeasurement prior to reclassification to assets held for sale and liabilities associated with assets held for sale did not result in any impairment loss. The sale was completed on 3 January 2022.

The sale of the property in Steinfurt was completed in October 2021. The disposal gain of €5 million is recognised under other operating income.

The fuel business of DHL Supply Chain Limited, United Kingdom, was sold in the first half of 2021. The disposal gain of €4 million is recognised under other operating income.

33 Issued capital and purchase of treasury shares

As at 31 December 2021, KfW Bankengruppe (KfW) held a 20.49% interest, unchanged from the previous year, in the share capital of Deutsche Post AG. Free float accounts for 78.28% of the shares and the remaining 1.23% of shares are owned by Deutsche Post AG. KfW holds the shares in trust for the Federal Republic of Germany.

33.1 Changes in issued capital

The issued capital amounts to €1,239 million. It is composed of 1,239,059,409 no-par-value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share and is fully paid up.

Changes in issued capital and treasury shares

€m	2020	2021
Issued capital		
Balance as at 1 January	1,237	1,239
Addition due to contingent capital increase (Performance Share Plan)	2	0
Balance as at 31 December	**1,239**	**1,239**
Treasury shares		
Balance as at 1 January	–1	0
Purchase of treasury shares	–2	–20
Issue/sale of treasury shares	3	5
Balance as at 31 December	**0**	**–15**
Total as at 31 December	**1,239**	**1,224**

33.2 Authorised and contingent capital

The Articles of Association may be viewed on the company's website or in the electronic company register. They may also be viewed in the commercial register of the Bonn Local Court.

Authorised and contingent capital as at 31 December 2021

	Amount €m	Purpose
Authorised Capital 2021 (Annual General Meeting on 6 May 2021)	130	Increase in share capital against cash/non-cash contributions (authorisation until 5 May 2026)
Contingent Capital 2017 (Annual General Meeting on 28 April 2017)	75	Issue of options/conversion rights (authorisation until 7 May 2018)
Contingent Capital 2018/1 (Annual General Meeting on 24 April 2018)	12	Issue of Performance Share Units to executives (authorisation until 8 October 2020)
Contingent Capital 2020/1 (Annual General Meeting on 27 August 2020)	12	Issue of Performance Share Units to executives (authorisation until 26 August 2023)
Contingent Capital 2020/2 (Annual General Meeting on 27 August 2020)	40	Issue of options/conversion rights (authorisation until 26 August 2023)

Authorised Capital 2021

The Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 130 million new, no-par-value registered shares until 5 May 2026 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital by up to €130 million. The authorisation may be used in full or for partial amounts. Shareholders generally have pre-emptive rights. However, subject to the approval of the Supervisory Board, the Board of Management may disapply the shareholders' pre-emptive rights to the shares covered by the authorisation. No use was made of the authorisation in the financial year under review.

Contingent Capital 2017

The contingent capital increase serves 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, and to grant options or conversion rights for up to 75 million shares with a proportionate interest in the share capital not to exceed €75 million. The new shares participate in profit from the beginning of the financial year in which they are issued. The authorisation was exercised in part in December 2017 by issuing the convertible bond 2017/2025 in an aggregate principal amount of €1 billion. The share capital was increased on a contingent basis by up to €75 million. Contingent capital was not utilised in the 2021 financial year.

Contingent Capital 2018/1

The contingent capital increase serves to grant Performance Share Units (PSUs) to selected Group executives. The new shares participate in profit from the beginning of the financial year in which they are issued. The share capital was increased on a contingent basis by up to €12 million through the issue of up to 12 million no-par-value registered shares. Contingent capital was not utilised in the 2021 financial year.

Contingent Capital 2020/1

The contingent capital increase serves to grant Performance Share Units (PSUs) to selected Group executives. The share capital was increased on a contingent basis by up to €12 million through the issue of up to 12 million no-par-value registered shares. The new shares participate in profit from the beginning of the financial year in which they are issued. Contingent capital was not utilised in the 2021 financial year.

Contingent Capital 2020/2

The contingent capital increase serves 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, and to grant options or conversion rights for up to 40 million shares with a proportionate interest in the share capital not to exceed €40 million. The new shares participate in profit from the beginning of the financial year in which they are issued. The share capital was increased on a contingent basis by up to €40 million. Contingent capital was not utilised in the 2021 financial year.

33.3 Authorisation to acquire treasury shares

By way of a resolution adopted by the Annual General Meeting on 6 May 2021, the company is authorised to acquire treasury shares in the period to 5 May 2026 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. In addition, the Board of Management is authorised to acquire treasury shares totalling up to 5% of the share capital existing when the resolution was adopted by means including using derivatives.

Share buy-back programme

At the end of the share buy-back programme, note 3, in October 2021, 17.7 million shares had been purchased for a total amount of €1 billion, at an average price of €56.53 per share.

In the 2021 financial year, treasury shares were also acquired and issued to executives to settle the 2020 tranche and claims to matching shares under the 2016 tranche. The 2.6 million shares were acquired at an average price per share of €44.96 for a total of €118 million.

A total of 2.5 million treasury shares were issued to the executives concerned to settle the 2020 PSP tranche.

As at 31 December 2021, Deutsche Post AG held 15,247,431 treasury shares (previous year: 0 treasury shares).

33.4 Disclosures on corporate capital

In the 2021 financial year, the equity ratio was 30.7% (previous year: 25.5%). 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	2020	2021
Financial liabilities	19,098	19,897
Less operating financial liabilities[1]	–372	–506
Less cash and cash equivalents	–4,482	–3,531
Less current financial assets	–1,315	–3,088
Less non-current derivative financial instruments	–1	0
Net debt	**12,928**	**12,772**
Plus total equity	14,078	19,499
Total capital	**27,006**	**32,271**
Net gearing ratio (%)	47.9	39.6

[1] Relates to e.g. liabilities from overpayments.

34 Reserves

34.1 Capital reserves

€m	2020	2021
Balance as at 1 January	3,482	3,519
Share Matching Scheme		
Addition to obligation	87	104
Utilisation of obligation	–77	–99
Total for Share Matching Scheme	**10**	**5**
Performance Share Plan		
Addition to obligation	26	25
Utilisation of obligation	–26	–28
Total for Performance Share Plan	**0**	**–3**
Employee Share Plan		
Addition to obligation	0	3
Total for Employee Share Plan	**0**	**3**
Issue of treasury shares	24	0
Differences between purchase and issue prices of treasury shares	3	9
Balance as at 31 December	**3,519**	**3,533**

34.2 Retained earnings

In addition to the items evident in the statement of changes in equity, retained earnings also include changes due to capital increases/decreases:

Capital increase/decrease

€m	2020	2021
Share buy-back	0	–982
Share Matching Scheme	31	–19
Performance Share Plan	0	26
Differences between purchase and issue prices of treasury shares	–3	–9
Other	0	3
Total	**28**	**–981**

35 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in the 2021 financial year amounted to €19,037 million (previous year: €13,777 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €10,239 million reported in Deutsche Post AG's annual financial statements in accordance with the HGB. The Board of Management is proposing a dividend of €1.80 per no-par-value share carrying dividend rights. This corresponds to a total dividend of €2,205 million. The amount of €8,034 million remaining after deduction of the planned total dividend will be carried forward to new account. The final total dividend will be based on the number of shares carrying dividend rights at the time the Annual General Meeting resolves upon the appropriation of net retained profit on the date of the Annual General Meeting.

	Total dividend €m	Dividend per share €
Dividend distributed in the 2021 financial year for the year 2020	1,673	1.35
Dividend distributed in the 2020 financial year for the year 2019	1,422	1.15

36 Non-controlling interests

This balance sheet item includes adjustments for the interests of non-Group shareholders in consolidated equity from acquisition accounting, as well as their interests in profit or loss.

The following table shows the companies to which the non-controlling interests relate:

€m	2020	2021
DHL Sinotrans International Air Courier Ltd., China	196	345
Blue Dart Express Limited, India	15	25
PT. Birotika Semesta, Indonesia	14	23
DHL Aero Expreso S.A., Panama	18	22
Other companies	58	47
Non-controlling interests	**301**	**462**

There are material non-controlling interests in the following two companies:

DHL Sinotrans International Air Courier Ltd. (Sinotrans), China, which is assigned to the Express segment, provides domestic and international express delivery and transport services. Deutsche Post DHL Group holds a 50% interest in the company. Deutsche Post AG holds a 75% interest in Blue Dart Express Limited (Blue Dart), India, which is assigned to the eCommerce Solutions segment. Blue Dart is a courier service provider. The following table gives an overview of their aggregated financial data:

Financial data for material non-controlling interests

€m	Sinotrans		Blue Dart	
	2020	2021	2020	2021
Balance sheet				
ASSETS				
Non-current assets	124	149	94	122
Current assets	607	966	109	125
Total ASSETS	**731**	**1,115**	**203**	**247**
EQUITY AND LIABILITIES				
Non-current provisions and liabilities	24	35	32	28
Current provisions and liabilities	314	391	89	100
Total EQUITY AND LIABILITIES	**338**	**426**	**121**	**128**
Net assets	**393**	**689**	**82**	**119**
Non-controlling interests	196	345	15	25
Income statement				
Revenue	2,179	2,720	355	482
Profit before income taxes	408	753	3	49
Income taxes	103	189	1	13
Profit after income taxes	**305**	**564**	**2**	**36**
Other comprehensive income	–14	58	–7	4
Total comprehensive income	**291**	**622**	**–5**	**40**
attributable to non-controlling interests	146	311	–1	10
Dividend distributed to non-controlling interests	119	162	0	1
Consolidated net profit attributable to non-controlling interests	153	282	0	9
Cash flow statement				
Net cash from operating activities	390	610	17	84
Net cash used in/from investing activities	–14	17	–10	–46
Net cash used in financing activities	–254	–343	–5	–34
Net change in cash and cash equivalents	122	284	2	4
Cash and cash equivalents at 1 January	262	370	8	9
Effect of changes in exchange rates on cash and cash equivalents	–14	57	–1	2
Cash and cash equivalents as at 31 December	**370**	**711**	**9**	**15**

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	2020	2021
Balance as at 1 January	−16	−28
Transactions with non-controlling interests	3	−1
Total comprehensive income		
Changes from unrealised gains and losses	−15	37
Changes from realised gains and losses	0	0
Currency translation reserve as at 31 December	**−28**	**8**

37 Provisions for pensions and similar obligations

The Group's most significant defined benefit retirement plans are in Germany and the United Kingdom. A wide variety of other defined benefit retirement plans in the Group are to be found in the Netherlands, Switzerland, the United States and a large number of other countries. There are specific risks associated with these plans along with measures to mitigate them.

37.1 Plan features

Germany

In Germany, Deutsche Post AG has an occupational retirement benefit arrangement based on a collective agreement, which is open to new hourly workers and salaried employees. Depending on the weekly working hours and wage / salary group, retirement benefit components are calculated annually for each hourly worker and salaried employee, and credited to an individual pension account. A 2.5% increase on the previous year is included in every newly allocated component. When the statutory pension falls due, the hourly workers and salaried employees can choose whether to receive payment as a lump-sum or in instalments, or lifelong monthly benefit payments that increase by 1% each year. The large majority of Deutsche Post AG's obligations relates to older vested entitlements of hourly workers and salaried employees from a previous agreement, and to legacy pension commitments towards former hourly workers and salaried employees who have left or retired from the company. In addition, retirement benefit arrangements are available to executives below the Board of Management level and to specific employee groups through deferred compensation in particular. For information on the pension scheme for the Board of Management, see note 47.2.

The prime source of external funding for Deutsche Post AG's respective retirement benefit obligations is a contractual trust arrangement, which also includes a pension fund. The trust is funded on a case-by-case basis in line with the Group's finance strategy. In the case of the pension fund, the regulatory funding requirements can, in principle, be met without additional employer contributions. Part of the plan assets consists of real estate that is leased out to the Group on a long-term basis. In addition, *Versorgungsanstalt der Deutschen Bundespost* (VAP – *Deutsche Bundespost* institution for supplementary retirement pensions), a shared pension fund for successor companies to *Deutsche Bundespost*, is used for some of the legacy pension commitments.

Individual subsidiaries in Germany have retirement benefit plans that were acquired in the context of acquisitions and transfers of operations and that are closed to new entrants. Contractual trust arrangements are in place for two subsidiaries for external funding.

United Kingdom

In the United Kingdom, the Group's defined benefit pension arrangements are closed to new entrants and for further service accrual. One arrangement which, exceptionally, was partly open until 31 March 2019, was then also closed to new entrants and for further service accrual. Furthermore, in 2019 certain active members of this arrangement were given the option to transfer their past service benefits to an external pension arrangement. This led to settlement payments in the previous year. With regard to some of the arrangements of the Group, a full commutation exercise was carried out during the year under review, which entailed offering certain members with small pensions the opportunity to exchange their pension for a lump-sum payment. This will lead primarily to settlement payments in the following year (2022).

The Group's defined benefit pension arrangements in the United Kingdom have mainly been consolidated into a Group plan with different sections for the participating divisions. These are funded mainly via a Group trust. The amount of the employer deficit contributions must be negotiated with the trustee in the course of funding valuations, which are carried out every three years and most recently in the year under review. Normal contribution amounts no longer accrue since the arrangements for further service accrual have been closed.

Other

In the Netherlands, collective agreements require that those employees who are not covered by a sector-specific plan participate in a dedicated defined benefit retirement plan. The dedicated plan provides for annual accruals which are subject to a pensionable salary cap. The plan provides for monthly benefit payments that are indexed in line with inflation, on the one hand, and the funds available for such indexation, on the other. In Switzerland, employees receive an occupational pension in line with statutory requirements, where pension payments depend on the contributions paid, an interest rate that is fixed each year, certain annuity factors and any pension increases specified. A separate plan providing for lump-sum payments instead of lifelong pension payments exists for specific higher wage components. In the United States, the companies' defined benefit retirement plans have been closed to new entrants and accrued entitlements have been frozen. In the year under review, a bundle of small pensions there was transferred to an insurance company, which primarily led to settlement payments.

The Group companies fund their dedicated defined benefit retirement plans in these three countries primarily by using respective joint funding institutions. In the previous year, the allocation of plan assets to the participating Group companies was harmonised in the Netherlands. In the Netherlands and in Switzerland, both employers and employees contribute to plan funding. In the United States, no regularly recurring contributions are currently made in this regard.

37.2 Financial performance of the plans and determination of balance sheet items

The present value of defined benefit obligations, the fair value of plan assets and net pension provisions changed as follows:

€m	Present value of defined benefit obligations		Fair value of plan assets		Net pension provisions	
	2020	2021	2020	2021	2020	2021
Balance as at 1 January	18,618	19,664	13,758	13,849	**4,860**	**5,815**
Current service cost, excluding employee contributions	227	274	–	–	**227**	**274**
Past service cost	–19	–6	–	–	**–19**	**–6**
Settlement gains (–)/losses (+)	–2	–4	–	–	**–2**	**–4**
Other administration costs in accordance with IAS 19.130	–	–	–10	–10	**10**	**10**
Service cost[1]	**206**	**264**	**–10**	**–10**	**216**	**274**
Interest cost on defined benefit obligations	285	192	–	–	**285**	**192**
Interest income on plan assets	–	–	213	140	**–213**	**–140**
Net interest cost	**285**	**192**	**213**	**140**	**72**	**52**
Income and expenses recognised in the income statement	**491**	**456**	**203**	**130**	**288**	**326**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	–10	–180	–	–	**–10**	**–180**
Actuarial gains (–)/losses (+) – changes in financial assumptions	1,708	–1,209	–	–	**1,708**	**–1,209**
Actuarial gains (–)/losses (+) – experience adjustments	–65	112	–	–	**–65**	**112**
Return on plan assets excluding interest income	–	–	546	728	**–546**	**–728**
Remeasurements recognised in the statement of comprehensive income	**1,633**	**–1,277**	**546**	**728**	**1,087**	**–2,005**
Employer contributions	–	–	68	48	**–68**	**–48**
Employee contributions	36	28	19	28	**17**	**0**
Benefit payments	–733	–729	–358	–417	**–375**	**–312**
Settlement payments	–68	–55	–67	–54	**–1**	**–1**
Transfers	0	–13	–2	1	**2**	**–14**
Acquisitions/divestitures	–2	0	–5	0	**3**	**0**
Currency translation effects	–311	429	–313	426	**2**	**3**
Balance as at 31 December	**19,664**	**18,503**	**13,849**	**14,739**	**5,815**	**3,764**

[1] Including other administration costs in accordance with IAS 19.130 from plan assets.

As at 31 December 2021, the effects of asset ceilings amounted to €46 million; an expedient was applied to their recognition by deducting this amount from the fair value of plan assets (1 January 2021/31 December 2020: €5 million; 1 January 2020: €5 million).

There were settlement payments in the United States in particular in the reporting period. In the previous year, there were settlement payments in particular in the United Kingdom. Moreover, in Germany, the proportion of benefit payments paid directly by the company increased. The remeasurements caused net pension provisions to fluctuate heavily.

Total payments amounting to €409 million are expected with regard to net pension provisions in 2022. Of this amount, €330 million is attributable to the Group's expected direct benefit payments and €79 million to expected employer contributions to pension funds.

The disaggregation of the present value of defined benefit obligations, fair value of plan assets and net pension provisions, as well as the determination of the balance sheet items, is as follows:

€m	Germany	UK	Other	Total
31 December 2021				
Present value of defined benefit obligations	9,927	5,497	3,079	**18,503**
Fair value of plan assets	–6,229	–5,895	–2,615	**–14,739**
Net pension provisions	**3,698**	**–398**	**464**	**3,764**
Reported separately				
Pension assets	0	400	21	**421**
Provisions for pensions and similar obligations	3,698	2	485	**4,185**
31 December 2020				
Present value of defined benefit obligations	11,134	5,450	3,080	**19,664**
Fair value of plan assets	–5,901	–5,437	–2,511	**–13,849**
Net pension provisions	**5,233**	**13**	**569**	**5,815**
Reported separately				
Pension assets	0	13	7	**20**
Provisions for pensions and similar obligations	5,233	26	576	**5,835**

In the "Other" area, the Netherlands, Switzerland and the United States account for a share in the corresponding present value of the defined benefit obligations of 48%, 18% and 9%, respectively (previous year: 45%, 18% and 11%, respectively).

Additionally, rights to reimbursement from former Group companies existed in the Group in Germany in the amount of around €13 million (previous year: €14 million), which had to be reported separately under financial assets. Corresponding benefit payments are being made directly by the former Group companies.

37.3 Additional information on the present value of defined benefit obligations

The significant financial assumptions are as follows:

%	Germany	UK	Other	Total
31 December 2021				
Discount rate (defined benefit obligations)	1.50	1.90	1.61	**1.64**
Expected annual rate of future salary increase	2.50	n.a.	2.39	**2.48**
Expected annual rate of future pension increase	1.75	3.15	1.67	**2.65**
31 December 2020				
Discount rate (defined benefit obligations)	0.80	1.20	1.06	**0.95**
Expected annual rate of future salary increase	2.50	n.a.	2.36	**2.47**
Expected annual rate of future pension increase	1.75	2.60	1.02	**2.11**

The discount rates for defined benefit obligations in the eurozone and the United Kingdom were each derived from an individual yield curve comprising the yields of AA-rated corporate bonds and taking into account membership composition and duration. For other countries, the discount rate for defined benefit obligations was determined in a similar way, provided there was a deep market for AA-rated (or, in some cases, AA- and AAA-rated) corporate bonds. By contrast, government bond yields were used for countries without a deep market for such corporate bonds. The selection of corporate bonds to be used for the eurozone was refined in June 2020.

For the annual pension increase in Germany, fixed rates in particular must be taken into account, in addition to the assumptions shown. The effective weighted average therefore amounts to approximately 1.00% (previous year: 1.00%).

The most significant demographic assumptions made relate to life expectancy and/or mortality. For the Group companies in Germany, they are based on the HEUBECK RICHTTAFELN 2018 G mortality tables. Life expectancy for the retirement benefit plans in the United Kingdom was based mainly on the S3PMA_H/S3PFA_H (previous year: S2PMA/S2PFA) tables of the Continuous Mortality Investigation (CMI) of the Institute and Faculty of Actuaries, adjusted to reflect plan-specific mortality according to the latest funding valuation. Current projections of future mortality improvements were taken into account based on the CMI core projection model. For other countries, their own country-specific current standard mortality tables were used.

If one of the significant financial assumptions were to change, the present value of the defined benefit obligations would change as follows:

	Change in assumption percentage points	Change in present value of defined benefit obligations %			
		Germany	UK	Other	Total
31 December 2021					
Discount rate (defined benefit obligations)	1.00	−12.50	−13.76	−15.25	**−13.33**
	−1.00	16.00	17.53	20.45	**17.18**
Expected annual rate of future salary increase	0.50	0.14	n.a.	0.99	**0.24**
	−0.50	−0.13	n.a.	−0.89	**−0.22**
Expected annual rate of future pension increase	0.50	0.34	5.32	7.29	**2.96**
	−0.50	−0.31	−5.12	−5.54	**−2.60**
31 December 2020					
Discount rate (defined benefit obligations)	1.00	−13.41	−14.75	−15.36	**−14.08**
	−1.00	17.38	19.08	20.66	**18.36**
Expected annual rate of future salary increase	0.50	0.15	n.a.	1.05	**0.25**
	−0.50	−0.14	n.a.	−0.94	**−0.23**
Expected annual rate of future pension increase	0.50	0.36	6.01	7.13	**2.97**
	−0.50	−0.33	−5.64	−5.33	**−2.57**

These are effective weighted changes in the respective present value of the defined benefit obligations, e.g. taking into account the largely fixed nature of the pension increase for Germany.

A one-year increase in life expectancy for a 65-year-old beneficiary would increase the present value of the defined benefit obligations by 4.87% in Germany (previous year: 5.20%) and by 4.77% in the United Kingdom (previous year: 4.40%). The corresponding increase for other countries would be 3.37% (previous year: 3.33%) and the total increase would be 4.59% (previous year: 4.69%).

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 as at 31 December 2021 was 14.3 years in Germany (previous year: 15.3 years) and 15.6 years in the United Kingdom (previous year: 17.1 years). In the other countries it was 18.6 years (previous year: 18.4 years), and in total it was 15.4 years (previous year: 16.3 years).

A total of 30.5% (previous year: 32.1%) of the present value of the defined benefit obligations was attributable to active beneficiaries, 20.6% (previous year: 19.6%) to formerly employed beneficiaries and 48.9% (previous year: 48.3%) to retirees.

37.4 Additional information on the fair value of plan assets

The fair value of the plan assets can be disaggregated as follows:

€m	Germany	UK	Other	Total
31 December 2021				
Equities	1,153	564	783	**2,500**
Fixed income securities	2,080	4,554	1,237	**7,871**
Real estate	1,785	309	357	**2,451**
Alternatives[1]	434	277	11	**722**
Insurances	519	0	158	**677**
Cash	230	151	25	**406**
Other	28	40	44	**112**
Fair value of plan assets	**6,229**	**5,895**	**2,615**	**14,739**
31 December 2020				
Equities	617	513	751	**1,881**
Fixed income securities	1,755	4,243	1,152	**7,150**
Real estate	1,670	270	343	**2,283**
Alternatives[1]	356	271	54	**681**
Insurances	529	0	155	**684**
Cash	945	140	17	**1,102**
Other	29	0	39	**68**
Fair value of plan assets	**5,901**	**5,437**	**2,511**	**13,849**

[1] Primarily includes absolute return products and private equity investments.

Quoted market prices in an active market exist for around 68% (previous year: 70%) of the total fair values of plan assets. The remaining assets for which no such quoted market prices exist are attributable as follows: 14% (previous year: 14%) to real estate, 10% (previous year: 9%) to fixed income securities, 5% (previous year: 5%) to insurances, 2% (previous year: 2%) to alternatives and 1% (previous year: 0%) to other. The majority of the investments on the active markets are globally diversified, with certain country-specific focus areas.

Real estate included in plan assets in Germany with a fair value of €1,653 million (previous year: €1,563 million) is occupied by Deutsche Post DHL Group.

In the previous year, hedging measures triggered by developments on the capital markets in 2020 (as a result of the COVID-19 pandemic) resulted in a decrease in the proportion of equity and fixed-income holdings and an increase in the proportion of the cash holdings.

Asset–liability studies are performed at regular intervals in Germany, the United Kingdom and, amongst other places, the Netherlands, Switzerland and the United States, for the purpose of matching assets and liabilities; the strategic allocation of plan assets is adjusted accordingly.

Sustainable approaches based mainly on an integration of ESG criteria are increasingly being used when investing plan assets.

37.5 Risk

Specific risks are associated with the defined benefit retirement plans. This can result in a (negative or positive) change in Deutsche Post DHL Group's equity through other comprehensive income, whose overall relevance is classed as medium to high. In contrast, a low relevance is attached to the short-term effects on staff costs and net finance costs. Potential risk mitigation is applied depending on the specifics of the plans.

INTEREST RATE RISK

A decrease (increase) in the respective discount rate would lead to an increase (decrease) in the present value of the total obligation and would in principle be accompanied by an increase (decrease) in the fair value of the fixed income securities contained in the plan assets. Further hedging measures are applied, in some cases using derivatives.

INFLATION RISK

Pension obligations – especially relating to final salary schemes or schemes involving increases during the pension payment phase – can be linked directly or indirectly to changes in inflation. The risk of increasing inflation rates with regard to the present value of the defined benefit obligations has been mitigated in the case of Germany, for example, by switching to a system of retirement benefit components and, in the case of the United Kingdom, by closing the defined benefit arrangements. In addition, fixed rates of increase have been set and increases partially capped, and/or lump-sum payments have been provided for. There is also a positive correlation with interest rates.

INVESTMENT RISK

The investment is in principle subject to a large number of risks; in particular, it is exposed to the risk that market prices may change. This is managed primarily by ensuring broad diversification and the use of hedging instruments.

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 United Kingdom, for example, include an allowance for expected future increases in life expectancy.

38 Other provisions

Other provisions break down into the following main types of provision:

€m	Non-current		Current		Total	
	2020	2021	2020	2021	2020	2021
Other employee benefits	738	799	181	160	**919**	**959**
Technical reserves (insurance)	482	517	230	250	**712**	**767**
Aircraft maintenance	211	209	72	98	**283**	**307**
Tax provisions	–	–	204	275	**204**	**275**
Restructuring provisions	31	25	41	50	**72**	**75**
Miscellaneous provisions	328	396	352	375	**680**	**771**
Other provisions	**1,790**	**1,946**	**1,080**	**1,208**	**2,870**	**3,154**

38.1 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Aircraft maintenance	Tax provisions	Miscellaneous provisions	Total
Balance as at 1 January 2021	919	72	712	283	204	680	**2,870**
Changes in consolidated group	0	0	0	11	0	0	**11**
Utilisation	–485	–37	–44	–52	–29	–230	**–877**
Currency translation differences	37	2	14	10	4	15	**82**
Reversal	–67	–21	–20	–10	–9	–147	**–274**
Unwinding of discount/changes in discount rate	–3	0	–3	1	0	–1	**–6**
Reclassification	13	0	0	0	0	0	**13**
Addition	545	59	108	64	105	454	**1,335**
Balance as at 31 December 2021	**959**	**75**	**767**	**307**	**275**	**771**	**3,154**

The provision for other employee benefits primarily covers workforce reduction expenses such as severance payments, partial retirement, early retirement, stock appreciation rights (SARs) and jubilee payments. The increase is attributable mainly to higher obligations for partial retirement.

Technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR (incurred but not reported) reserves; further details can be found in note 7.

The provision for aircraft maintenance relates to obligations for major aircraft and engine maintenance by third-party companies.

Of the tax provisions, €131 million (previous year: €99 million) relates to VAT, €45 million (previous year: €40 million) to customs and duties and €99 million (previous year: €65 million) to other tax provisions.

Miscellaneous provisions, which include a large number of individual items, break down as follows:

€m	2020	2021
Litigation costs of which non-current: 56 (previous year: 50)	111	114
Risks from business activities of which non-current: 6 (previous year: 7)	49	45
Miscellaneous other provisions of which non-current: 334 (previous year: 271)	520	612
Miscellaneous provisions	**680**	**771**

38.2 Maturity structure

The maturity structure of the provisions recognised in the 2021 financial year is as follows:

€m	Up to 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
2021							
Other employee benefits	160	154	64	50	48	483	**959**
Technical reserves (insurance)	250	283	78	44	31	81	**767**
Aircraft maintenance	98	50	93	16	7	43	**307**
Tax provisions	275	0	0	0	0	0	**275**
Restructuring provisions	50	14	3	4	4	0	**75**
Miscellaneous provisions	375	152	64	44	39	97	**771**
Total	**1,208**	**653**	**302**	**158**	**129**	**704**	**3,154**

39 Financial liabilities

€m	Non-current		Current		Total	
	2020	2021	2020	2021	2020	2021
Bonds	6,660	6,167	750	502	**7,410**	**6,669**
Amounts due to banks	290	356	189	188	**479**	**544**
Lease liabilities[1]	8,638	9,841	1,821	1,964	**10,459**	**11,805**
Liabilities at fair value through profit or loss	1	1	53	12	**54**	**13**
Other financial liabilities	262	249	434	617	**696**	**866**
Financial liabilities	**15,851**	**16,614**	**3,247**	**3,283**	**19,098**	**19,897**

[1] Explanations, note 41.

The amounts due to banks mainly comprise current overdraft facilities and long-term loans due to various banks.

The amounts reported under liabilities at fair value through profit or loss relate mainly to the negative fair values of derivative financial instruments.

Bonds

The bond issued by Deutsche Post Finance B.V. is fully guaranteed by Deutsche Post AG.

The bond 2016/2021 was completely repaid at the beginning of January 2021.

Significant bonds

	Nominal coupon %	Issue volume €m	Issuer	2020 Carrying amount €m	2020 Fair value €m	2021 Carrying amount €m	2021 Fair value €m
Bond 2012/2022	2.950	500	Deutsche Post Finance B.V.	499	525	500	508
Bond 2012/2024	2.875	700	Deutsche Post AG	699	786	699	764
Bond 2013/2023	2.750	500	Deutsche Post AG	498	542	499	527
Bond 2016/2021	0.375	750	Deutsche Post AG	750	750	–	–
Bond 2016/2026	1.250	500	Deutsche Post AG	498	536	498	525
Bond 2017/2027	1.000	500	Deutsche Post AG	496	534	497	526
Bond 2018/2028	1.625	750	Deutsche Post AG	743	846	743	818
Bond 2020/2026	0.375	750	Deutsche Post AG	745	771	746	759
Bond 2020/2029	0.750	750	Deutsche Post AG	747	798	748	776
Bond 2020/2032	1.000	750	Deutsche Post AG	747	825	747	793
Convertible bond 2017/2025[1]	0.050	1,000	Deutsche Post AG	967	1,024	974	1,002

[1] Fair value of the debt component; the fair value of the convertible bond 2017/2025 is €1,200 million (previous year: €1,084 million).

CONVERTIBLE BOND

The convertible bond issued carries a conversion right that allows holders to convert the bond into a predetermined number of Deutsche Post AG shares.

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 convertible bond has a debt component and an equity component. In subsequent years, interest will be added to the carrying amount of the bond, up to the issue amount, using the effective interest method and recognised in profit or loss.

Convertible bond

	2017/2025
Issue date	13 Dec. 2017
Issue volume	€1 billion
Outstanding volume	€1 billion
Exercise period, conversion right	13 Dec. 2020 to 13 June 2025[1]
Exercise period, call option	2 January 2023 to 10 June 2025
Value of debt component at issue date[2]	€946 million
Value of equity component at issue date[3]	€53 million
Transaction costs (debt/equity component)	€4.7/0.3 million
Conversion price at issue	€55.69
Conversion price after adjustment[4] in 2018	€55.61
in 2019	€55.63
in 2020	€55.74
in 2021	€55.66

[1] Excluding possible contingent conversion periods according to the bond terms.
[2] Including transaction costs and call option granted.
[3] Recognised in capital reserves.
[4] After dividend payment.

40 Other liabilities

€m	2020	2021
Tax liabilities	1,267	1,622
Incentive bonuses	1,002	1,157
Compensated absences	395	446
Contract liabilities of which non-current: 30 (previous year: 17)	278	360
Wages, salaries, severance payments	293	342
Payables to employees and members of executive bodies	241	241
Social security liabilities	182	210
Deferred income of which non-current: 95 (previous year: 70)	169	210
Debtors with credit balances	161	149
Overtime claims	108	128
Postage stamps (contract liabilities)	130	107
Insurance liabilities	33	58
COD liabilities	22	54
Other compensated absences	38	45
Liabilities for damages of which non-current: 0 (previous year: 7)	38	45
Liabilities from cheques issued	25	43
Liabilities from the sale of residential building loans of which non-current: 30 (previous year: 39)	51	40
Accrued insurance premiums for damages and similar liabilities	14	18
Accrued rentals	13	14
Miscellaneous other liabilities of which non-current: 149 (previous year: 195)	1,003	1,153
Other liabilities	**5,463**	**6,442**
of which current	5,135	6,138
non-current	328	304

Of the tax liabilities, €661 million (previous year: €650 million) relates to VAT, €754 million (previous year: €439 million) to customs and duties and €207 million (previous year: €178 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.

Maturity structure

There is no significant difference between the carrying amounts and the fair values of the other liabilities due to their short maturities or near-market interest rates. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

€m	2020	2021
Up to 1 year	5,135	6,138
More than 1 year to 2 years	146	142
More than 2 years to 3 years	72	63
More than 3 years to 4 years	47	37
More than 4 years to 5 years	25	21
More than 5 years	38	41
Other liabilities	**5,463**	**6,442**

Lease disclosures

41 Lease disclosures

Currency translation income on lease liabilities totalled €16 million (previous year: €28 million), whilst the related expenses amounted to €49 million (previous year: €25 million). Gains from sale-and-leaseback transactions came in at €105 million (previous year: €149 million) with €96 million (previous year: €131 million) attributable to real estate development projects. The right-of-use assets carried as non-current assets resulting from leases are presented separately in the following table:

Right-of-use assets

€m	Land and buildings	Technical equipment and machinery	IT systems, operating and office equipment	Aircraft	Transport equipment	Advance payments and assets under development	Total
31 December 2020							
Accumulated cost	11,431	227	8	2,079	899	0	**14,644**
of which additions	1,874	83	1	534	266	1	**2,759**
Accumulated depreciation and impairment losses	3,543	90	6	632	402	0	**4,673**
Carrying amount	**7,888**	**137**	**2**	**1,447**	**497**	**0**	**9,971**
31 December 2021							
Accumulated cost	12,472	236	9	3,016	1,098	251	**17,082**
of which additions	2,116	24	1	543	310	86	**3,080**
Accumulated depreciation and impairment losses	4,318	117	7	961	511	0	**5,914**
Carrying amount	**8,154**	**119**	**2**	**2,055**	**587**	**251**	**11,168**

In the real estate area, the Group primarily leases warehouses, office buildings and mail and parcel centres. The leased aircraft are predominantly deployed in the air network of the Express segment. The additions also relate to the renewal of the aircraft fleet. Leased transport equipment also includes the leased vehicle fleet. The real estate leases in particular are long-term leases. The Group had 79 real estate leases with remaining lease terms of more than 20 years as at 31 December 2021 (previous year: 62 leases). Aircraft leases have remaining lease terms of up to 14 years. Leases may include extension and termination options, note 7. The leases are negotiated individually and include a wide range of different conditions. Lease liabilities are presented in the following table:

€m	2020	2021
Non-current lease liabilities	8,638	9,841
Current lease liabilities	1,821	1,964
Total	**10,459**	**11,805**

Future cash outflows amounted to €14 billion (previous year: €13 billion) as at the reporting date, note 43. Possible future cash outflows amounting to €2.6 billion (previous year: €2.0 billion) were not included in lease liabilities because it is not reasonably certain that the leases will be extended (or not terminated). Leases that the Group has entered into as a lessee but that have not yet commenced result in possible future payment outflows totalling €1.6 billion (previous year: €0.2 billion), which primarily result from the renewal of the aircraft fleet. Additional information on the lessee required under IFRS 16 can be found in note 12, 14, 18 and 42.

Cash flow disclosures

42 Cash flow disclosures

The following table shows the reconciliation of changes in liabilities arising from financing activities in accordance with the IFRS requirements:

Liabilities arising from financing activities

€m	Bonds	Amounts due to banks	Lease liabilities	Other financial liabilities[1]	Total
Balance as at 1 January 2020	5,467	468	10,301	365	**16,601**
Cash changes[2]	1,853	41	–2,288	–76	**–470**
Non-cash changes					
Leases	0	0	2,850	0	**2,850**
Currency translation	–1	–44	–409	–8	**–462**
Other changes	91	14	5	43	**153**
Balance as at 31 December 2020/1 January 2021	**7,410**	**479**	**10,459**	**324**	**18,672**
Cash changes[2]	–845	21	–2,395	12	**–3,207**
Non-cash changes					
Leases	0	0	3,408	0	**3,408**
Currency translation	1	32	309	8	**350**
Other changes	103	12	24	17	**156**
Balance as at 31 December 2021	**6,669**	**544**	**11,805**	**361**	**19,379**

[1] Differences from the financial liabilities presented in note 39 (other financial liabilities and financial liabilities at fair value through profit or loss) in the amount of €518 million (previous year: €426 million) are due to factors presented in other cash flow items, e.g. derivatives, contingent consideration from company acquisitions or operating financial liabilities.
[2] Differences in cash changes from the total amount of net cash used in financing activities (€–6,224 million; previous year: €–2,250 million) are due primarily to interest payments in addition to payments relating to equity transactions. The interest payments reported in the cash flow statement also include payments that do not relate to liabilities from financing activities.

As at the reporting date, there were no hedges attributable solely to the liabilities arising from financing activities. The effects on cash flows from hedges are presented in the "Other financing activities" cash flow item in the amount of €111 million.

42.1 Net cash from operating activities

At €9,993 million, net cash from operating activities was €2,294 million higher than in the prior-year period (€7,699 million). Income taxes paid saw an increase of €569 million to a total of €1,323 million. The cash outflow from the change in working capital amounted to €430 million (previous year: €404 million).

Non-cash income and expenses are as follows:

Non-cash income and expense

€m	2020	2021
Expense from the remeasurement of assets	176	176
Income from the remeasurement of liabilities	–176	–198
Income (–)/expense (+) on asset disposals	–3	–4
Staff costs relating to equity-settled share-based payments	73	79
Result from investments accounted for using the equity method	34	–32
Other	28	1
Non-cash income (–) and expenses (+)	**132**	**22**

42.2 Net cash used in investing activities

Net cash used in investing activities increased from €3,640 million to €4,824 million. Cash paid to acquire property, plant and equipment and intangible assets increased by €814 million to €3,736 million. Investing activities focused on, amongst other things, the ongoing expansion and renewal of the road vehicle and air fleet. The purchase of money market funds in the amount of €950 million led to, amongst other things, cash paid to acquire current financial assets totalling €1,508 million (previous year: €933 million).

42.3 Net cash used in financing activities

At €6,224 million, net cash used in financing activities was €3,974 million higher than the prior-year figure (€2,250 million). Share buy-backs led to cash paid to acquire treasury shares in the amount of €1,115 million. The dividend payment to the shareholders also increased, rising by €251 million to €1,673 million.

For further details on the cash flow statement and free cash flow, see the Combined management report.

Other disclosures

43 Risks and financial instruments of the Group

43.1 Risk management

As a result of its operating activities, the Group is exposed to financial risks that may arise from changes in exchange rates, commodity prices and interest rates. Deutsche Post DHL Group manages these risks centrally through the use of non-derivative and derivative financial instruments. Derivatives are used exclusively to mitigate non-derivative financial risks, and fluctuations in their fair value should not be assessed separately from the underlying transaction.

The Group's internal risk guidelines govern the universe of actions, responsibilities and necessary controls regarding the use of derivatives. Financial transactions are recorded, assessed and processed using proven risk management software, which also regularly documents the effectiveness of hedging relationships. Portfolios of derivatives are regularly reconciled with the banks concerned.

To limit counterparty risk from financial transactions, the Group may only enter into this type of contract with prime-rated banks. The conditions for the counterparty limits individually assigned to the banks are reviewed on a daily basis. The Group's Board of Management is informed internally at regular intervals about existing financial risks and the hedging instruments deployed to mitigate them. Financial instruments are accounted for and measured in accordance with IFRS 9. The Group began to apply the IFRS 9 hedge accounting requirements as at 1 January 2020.

Disclosures regarding risks associated with the Group's defined benefit retirement plans and their mitigation can be found in note 37.5.

Liquidity management

The ultimate objective of liquidity management is to secure the solvency of Deutsche Post DHL Group and all Group companies. Consequently, liquidity in the Group is centralised as much as possible in cash pools and managed in the Corporate Center.

The centrally available liquidity reserves (funding availability), consisting of central short-term financial investments and committed credit lines, are the key control parameter. The target is to have at least €2 billion available in a central credit line.

As at 31 December 2021, the Group had central liquidity reserves of €5.6 billion (previous year: €5.9 billion), consisting of central financial investments amounting to €3.6 billion plus a syndicated credit facility of €2 billion.

The maturity structure of non-derivative financial liabilities within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure of financial liabilities

€m	Up to 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As at 31 December 2021						
Non-current financial liabilities[1]	74	745	798	1,076	1,327	3,155
Non-current lease liabilities	0	1,993	1,603	1,350	1,122	5,754
Other non-current financial liabilities	0	8	7	6	4	5
Non-current financial liabilities	**74**	**2,746**	**2,408**	**2,432**	**2,453**	**8,914**
Current financial liabilities	1,321					
Current lease liabilities	2,355					
Trade payables	9,556					
Other current financial liabilities	339					
Current financial liabilities	**13,571**					
As at 31 December 2020						
Non-current financial liabilities[1]	89	679	656	939	1,165	4,355
Non-current lease liabilities	0	1,833	1,491	1,151	949	5,050
Other non-current financial liabilities	0	10	8	7	6	15
Non-current financial liabilities	**89**	**2,522**	**2,155**	**2,097**	**2,120**	**9,420**
Current financial liabilities	1,428					
Current lease liabilities	2,198					
Trade payables	7,309					
Other current financial liabilities	348					
Current financial liabilities	**11,283**					

[1] The convertible bond 2025 is contained in the “More than 3 years to 4 years” range.

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure of derivative financial instruments

€m	Up to 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As at 31 December 2021						
Derivative receivables – gross settlement						
Cash outflows	–2,944	–15	–1			
Cash inflows	3,008	16	1			
Net settlement						
Cash inflows	8					
Derivative liabilities – gross settlement						
Cash outflows	–1,195	–20	–19	–6	–4	–1
Cash inflows	1,183	21	21	7	4	1
Net settlement						
Cash outflows	0					
As at 31 December 2020						
Derivative receivables – gross settlement						
Cash outflows	–2,167	–34	–6	–1		
Cash inflows	2,191	35	7	1		
Net settlement						
Cash inflows	0					
Derivative liabilities – gross settlement						
Cash outflows	–2,094	–26	–25	–16	–3	
Cash inflows	2,054	26	25	16	3	
Net settlement						
Cash outflows	–11					

The contract terms stipulate how the parties must meet their obligations arising from derivative financial instruments, either by net or by gross settlement.

CURRENCY RISK AND CURRENCY MANAGEMENT

The international business activities of Deutsche Post DHL Group expose it to currency risks from recognised or planned future transactions:

On-balance-sheet currency risks arise from the measurement and settlement of recognised foreign currency items if the exchange rate on the measurement or settlement date differs from the rate at initial recognition. The resulting foreign exchange differences directly impact profit or loss. In order to mitigate this impact as far as possible, all significant on-balance-sheet currency risks within the Group are centralised in Deutsche Post AG's in-house bank function. The centralised currency risks are aggregated by Corporate Treasury to calculate a net position per currency and hedged externally based on value-at-risk limits. The currency-related value at risk (95%/one-month holding period) for the portfolio totalled €5 million (previous year: €4 million) at the reporting date; the limit is currently a maximum of €5 million. The notional amount of the currency forwards and currency swaps used to manage on-balance-sheet currency risks amounted to €4,078 million at the reporting date (previous year: €3,562 million); the fair value was €46 million (previous year: €–16 million). Hedge accounting was not applied. Derivatives are accounted for as trading derivatives (free-standing derivatives).

Currency risks arise from planned foreign currency transactions if the future transactions are settled at exchange rates that differ from the originally projected rates. These currency risks are also captured centrally in Corporate Treasury. Currency risks from planned transactions and transactions with existing contracts are only hedged in selected cases. The relevant hedged items and derivatives used for hedging purposes are accounted for using cash flow hedge accounting, note 43.3.

Currency risks also result from translating assets and liabilities of foreign operations into the Group's currency (translation risk). No translation risks were hedged at the reporting date.

Currency forwards and currency swaps in a notional amount of €4,270 million (previous year: €4,503 million) were outstanding at the reporting date. The corresponding fair value was €49 million (previous year: €–24 million).

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2021, €4 million (previous year: €–7 million) is expected to be recognised in income in the course of the following year.

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. The following assumptions are used as a basis for the sensitivity analysis:

Primary financial instruments in foreign currencies used by Group companies are hedged by Deutsche Post AG's in-house bank. Deutsche Post AG determines monthly exchange rates and guarantees these to the Group companies. Exchange rate-related changes therefore have no effect on the profit or loss and equity of the Group companies. Where 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.

The following table presents currency-related effects on value at risk:

Risk data on currency risk

€m	2020		2021	
	Profit or loss effects	Equity effects	Profit or loss effects	Equity effects
Primary financial instruments and free-standing derivatives	4		5	
Derivative instruments (cash flow hedges)		5		4
Total value at risk[1]		7		6

[1] The total amount is lower than the sum of the individual amounts, owing to interdependencies.

INTEREST RATE RISK AND INTEREST RATE MANAGEMENT

No interest rate hedging instruments were recognised as at the reporting date. The proportion of financial liabilities with short-term interest lock-ins, note 39, amounts to 16% (previous year: 17%) of the total financial liabilities as at the reporting date. The effect of potential interest rate changes on the Group's financial position remains insignificant.

MARKET RISK

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. As the impact of the related fuel surcharges is delayed by one to two months, earnings may be affected temporarily if there are significant short-term fuel price variations.

The remaining fuel price risk is partly hedged with swap transactions in the notional amount of €13 million (previous year: €45 million) and a fair value of €7 million (previous year: €–7 million) running until the end of 2022.

A 10% increase in the commodity prices underlying the derivatives as at the reporting date would therefore have increased fair values and equity by €2 million (previous year: €4 million). A corresponding decline in commodity prices would have had the opposite effect.

CREDIT RISK

Credit risk arises for the Group from operating activities and from financial transactions. The aggregate carrying amount of financial assets represents the maximum default risk.

In an effort to minimise credit risk from operating activities and financial transactions, counterparties are assigned individual limits, the utilisation of which is regularly monitored. The Group's heterogeneous customer structure means that there is no risk concentration. Financial transactions are only entered into with prime-rated counterparties. A test is performed at the reporting dates to establish whether an impairment loss needs to be charged on financial assets and the positive fair values of derivatives due to changes in credit quality. This was not the case for any of the counterparties as at 31 December 2021.

The credit risk of financial assets arising from operations is managed by the divisions.

As a rule, the expected credit loss associated with financial assets must be determined. Based on the expected credit loss model (impairment model), a loss allowance must be anticipated for the possible credit loss, note 7.

The impairment model is applicable to non-current and current debt instruments recognised at amortised cost and to lease receivables. Debt instruments comprise mainly deposits, collateral provided and loans to third parties.

The gross amounts of financial assets subject to the impairment model are presented in the following table:

Stage 1 – 12-month ECL

€m	Gross carrying amount	Loss allowance	Net carrying amount
Balance as at 1 January 2021	913	–36	**877**
Newly originated financial assets	1,940		**1,940**
Impairment loss	–13		**–13**
Disposal	–719		**–719**
Reversal of loss allowance		32	**32**
Increase in loss allowance		–46	**–46**
Currency translation differences	29		**29**
Changes in consolidated group/Reclassifications	410		**410**
Balance as at 31 December 2021	**2,560**	**–50**	**2,510**
Balance as at 1 January 2020	1,165	–28	**1,137**
Newly originated financial assets	623		**623**
Impairment loss	–3		**–3**
Disposal	–832		**–832**
Reversal of loss allowance		24	**24**
Increase in loss allowance		–32	**–32**
Currency translation differences	–43		**–43**
Changes in consolidated group/Reclassifications	3		**3**
Balance as at 31 December 2020	**913**	**–36**	**877**

No cash flows from debt instruments were modified in the financial year and no changes were made to the model for determining risk parameters. The inputs were not remeasured.

All debt instruments and lease receivables were recognised in Stage 1 at the reporting date; they were neither past due nor impaired. There were no indications at the reporting date of any poor performance of the debt instruments and lease receivables. There was no reclassification between the stages in the financial year.

Trade receivables from customer relationships amounting to €11,683 million were due within one year at the reporting date (previous year: €8,985 million). They are held primarily with the aim of collecting the principal amount of the receivables. These items are therefore assigned to the "held to collect contractual cash flows" business model and measured at amortised cost. Trade receivables changed as follows:

Changes in receivables

€m	2020	2021
Gross receivables		
Balance as at 1 January	8,728	9,213
Changes	485	2,758
Balance as at 31 December	**9,213**	**11,971**
Loss allowances		
Balance as at 1 January	–167	–228
Changes	–61	–60
Balance as at 31 December	**–228**	**–288**
Carrying amount as at 31 December	**8,985**	**11,683**

The following table provides an overview of loss rates by age band that were used in the Group for the financial year under review:

Loss rates by age band

%	2020	2021
1 to 60 days	0.1–0.3	0.1–0.2
61 to 120 days	1.0–4.0	1.4–3.1
121 to 180 days	6.0–31.0	8.0–25.0
181 to 360 days	42.0–76.0	40.0–75.0
More than 360 days	80.0	80.0–100.0

Trade receivables are derecognised when a reasonable assessment indicates they are no longer recoverable. The relevant indicators include a delay in payment of more than 360 days.

In the 2021 financial year, there were factoring agreements in place that obliged the banks to purchase existing and future trade receivables. The banks' purchase obligations were limited to a maximum portfolio of receivables of €616 million (previous year: €672 million). Deutsche Post DHL Group can decide at its discretion whether, and to what extent, the revolving notional volume is utilised. The risks relevant to the derecognition of the receivables include credit risk and the risk of delayed payment (late payment risk).

Credit risk represents primarily all the risks and rewards associated with ownership of the receivables. This risk is transferred in full to the bank against payment of a fixed fee for doubtful accounts. A significant late payment risk does not exist. All of the receivables were therefore derecognised. In the 2021 financial year, the Group recognised programme fees (interest, allowances for doubtful accounts) of €2 million (previous year: €2 million) as an expense in the context of its continuing exposure. The notional volume of receivables factored as at 31 December 2021 amounted to €90 million (previous year: €255 million).

43.2 Collateral

Collateral provided

€m	2020	2021
Non-current collateral	147	148
of which for assets for the settlement of residential building loans	46	38
for sureties paid	101	110
Current collateral	16	200
of which for restricted cash	0	100
for sureties paid	16	100

The collateral provided relates primarily to sureties paid and restricted cash.

43.3 Derivative financial instruments

FAIR VALUE HEDGES

There were no fair value hedges as at 31 December 2021, as in the previous year. At the reporting date, unwinding interest rate swaps resulted in carrying amount adjustments of €2 million (previous year: €6 million) which are included in current financial liabilities in the amount of €2 million (previous year: €0 million). The remaining carrying amount adjustments will be amortised using the effective interest method over the remaining term of the liabilities (2022) and will reduce interest expense.

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 notional amount of these currency forwards and currency swaps amounted to €192 million at the reporting date (previous year: €942 million); the fair value was €3 million (previous year: €–8 million). The hedged items will have an impact on cash flow by 2027.

In addition, cash flow hedges were used to hedge fuel price risk with swap transactions in the notional amount of €13 million (previous year: €45 million) and a fair value of €7 million (previous year: €–7 million) running until the end of 2022. Only the product price component of the fuel price was designated as the hedged item; based on official statistics, the product price component accounted, on average, for 90 % of overall fuel price fluctuations in the past.

The gains and losses on open hedging instruments recognised in equity at the reporting date amounted to €10 million (previous year: €–14 million). No ineffective portions of hedges were recognised. In the financial year under review, €3 million in realised gains from cash flow hedges for fuel price risk were recognised in materials expense.

The following table shows the net open hedging positions at the reporting date in the currency pairs with the highest net positions and their weighted hedge rate:

Notional volume of hedging instruments

€m	Total notional volume	Remaining term: Up to 1 year	Remaining term: 1 year to 5 years	Remaining term: More than 5 years	Average hedge rate €
31 December 2021					
Hedges of currency risk					
Currency forwards buy EUR/CZK	132	65	66	1	26.68
Currency forwards sell EUR/USD	21	21			1.13
Currency forwards buy USD/CNY	16	16			6.49
31 December 2020					
Hedges of currency risk					
Currency forwards buy USD/HKD	378	378			7.76
Currency forwards sell EUR/CZK	–199	–89	–110		26.53
Currency forwards buy USD/TWD	103	103			28.41

As in the previous year, carrying amounts of derivative assets amounting to €11 million (previous year: €1 million) and derivative liabilities amounting to €–1 million (previous year: €–16 million) included in cash flow hedges did not result in ineffectiveness within the period. This is because the changes in the fair value of the hedged items (€–30 million) and hedging transactions (€30 million) offset each other (previous year: €21 million and €–21 million).

Cash flow hedging reserve

€m	2020	OCI I Effective portion of the hedge	OCI II Cost of hedging	2021
Balance as at 1 January	–2	–24	4	**–20**
Gains and losses on effective hedges	11	29	–1	**28**
Reclassification due to the recognition of hedged items	–29	7	–5	**2**
Balance as at 31 December[1]	**–20**	**12**	**–2**	**10**

[1] Excluding deferred taxes.

NET INVESTMENT HEDGES

Currency risks resulting from the translation of foreign operations were not hedged in 2021. At the reporting date, there was still a positive amount of €25 million from terminated net investment hedges in the currency translation reserve as in the previous year.

43.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments based on the relevant balance sheet items. The following table reconciles the financial instruments to the categories and their fair values as at the reporting date:

Reconciliation of carrying amounts in accordance with IFRS 9 and level classification

€m	31 December 2020							31 December 2021						
					Level classification financial instruments within the scope of IFRS 9							Level classification financial instruments within the scope of IFRS 9		
	Carrying amount	Financial instruments within the scope of IFRS 9	Other financial instruments outside IFRS 9[1]	IFRS 7 fair value	Level 1	Level 2	Level 3	Carrying amount	Financial instruments within the scope of IFRS 9	Other financial instruments outside IFRS 9[1]	IFRS 7 fair value	Level 1	Level 2	Level 3
ASSETS														
Debt instruments measured at cost	**14,344**	**14,238**	**106**	**473**		**392**		**17,724**	**17,157**	**567**	**846**		**436**	
Non-current financial assets	466	385	81	473		392		834	424	410	846		436	
Current financial assets[2]	81	56	25	n.a.				1,257	1,100	157	n.a.			
Other current assets[2]	330	330		n.a.				419	419		n.a.			
Trade receivables[2]	8,985	8,985		n.a.				11,683	11,683		n.a.			
Cash and cash equivalents[2]	4,482	4,482		n.a.				3,531	3,531		n.a.			
Equity instruments at fair value through other comprehensive income	**29**	**29**		**29**	**29**			**46**	**46**		**46**	**46**		
Non-current financial assets	29	29		29	29			46	46		46	46		
Reserve for equity instruments without recycling	29	29		29	29			46	46		46	46		
Current financial assets														
Reserve for equity instruments without recycling														
Debt instruments and equity instruments at fair value through profit or loss	**1,485**	**1,485**		**1,485**	**1,461**	**24**		**2,141**	**2,141**		**2,141**	**2,072**	**69**	
Non-current financial assets	251	251		251	250	1		310	310		310	310	0	
Debt instruments	249	249		249	249			309	309		309	309		
Equity instruments	1	1		1	1			1	1		1	1		
Fair value option														
Derivatives designated as hedges	1	1		1		1		0	0		0		0	
Current financial assets	1,234	1,234		1,234	1,211	23		1,831	1,831		1,831	1,762	69	
Debt instruments	1,211	1,211		1,211	1,211			1,762	1,762		1,762	1,762		
Trading derivatives	22	22		22		22		58	58		58		58	
Derivatives designated as hedges	1	1		1		1		11	11		11		11	
Not IFRS 7	**2,645**			**n.a.**				**3,756**			**n.a.**			
Other non-current assets	160			n.a.				587			n.a.			
Other current assets	2,485			n.a.				3,169			n.a.			
TOTAL ASSETS	**18,503**	**15,752**	**106**	**1,987**	**1,490**	**416**		**23,667**	**19,344**	**567**	**3,033**	**2,118**	**505**	

	31 December 2020							31 December 2021						
					Level classification financial instruments within the scope of IFRS 9							Level classification financial instruments within the scope of IFRS 9		
	Carrying amount	Financial instruments within the scope of IFRS 9	Other financial instruments outside IFRS 9[1]	IFRS 7 fair value	Level 1	Level 2	Level 3	Carrying amount	Financial instruments within the scope of IFRS 9	Other financial instruments outside IFRS 9[1]	IFRS 7 fair value	Level 1	Level 2	Level 3
EQUITY AND LIABILITIES														
Liabilities measured at cost	**26,740**	**16,281**	**10,459**	**7,861**	**7,268**	**593**		**29,853**	**18,048**	**11,805**	**7,343**	**6,689**	**653**	
Non-current financial liabilities[3]	15,850	7,212	8,638	7,822	7,268	554		16,613	6,772	9,841	7,313	6,689	623	
Other non-current liabilities	39	39		39		39		30	30		30		30	
Current financial liabilities[2]	3,194	1,373	1,821	n.a.				3,271	1,307	1,964	n.a.			
Trade payables[2]	7,309	7,309		n.a.				9,556	9,556		n.a.			
Other current liabilities[2]	348	348		n.a.				383	383		n.a.			
Liabilities at fair value through profit or loss	**54**	**54**		**54**		**54**		**13**	**13**		**13**		**13**	
Non-current financial liabilities[3]	1	1		1		1		1	1		1		1	
Earn-out obligation														
Trading derivatives														
Derivatives designated as hedges	1	1		1		1		1	1		1		1	
Current financial liabilities	53	53		53		53		12	12		12		12	
Earn-out obligation														
Trading derivatives	38	38		38		38		12	12		12		12	
Derivatives designated as hedges	15	15		15		15		0	0		0		0	
Not IFRS 7	**5,076**			**n.a.**				**6,029**			**n.a.**			
Other non-current liabilities	289			n.a.				274			n.a.			
Other current liabilities	4,787			n.a.				5,755			n.a.			
TOTAL EQUITY AND LIABILITIES	**31,870**	**16,335**	**10,459**	**7,915**	**7,268**	**647**		**35,895**	**18,061**	**11,805**	**7,356**	**6,689**	**666**	

[1] Relates to lease receivables or liabilities.
[2] The fair value is assumed to be equal to the carrying amount (IFRS 7.29a). Levels are not disclosed for these financial instruments.
[3] The Deutsche Post AG and Deutsche Post Finance B.V. bonds included in non-current financial liabilities are carried at amortised cost. Where required, the carrying amounts of unwound interest rate swaps were adjusted. The bonds are therefore not recognised fully at either fair value or amortised cost. The convertible bond issued by Deutsche Post AG in December 2017 had a fair value of €1,200 million as at the reporting date. The fair value of the debt component at the reporting date was €1,002 million.

If there is an active market for a financial instrument (e.g. a stock exchange), its fair value is determined by reference to the market or quoted exchange price at the reporting date. If no fair value is available in an active market, quoted market prices for similar instruments or recognised valuation models are used to determine fair value.

IFRS 13 requires financial assets to be assigned to the appropriate level of the fair value hierarchy:

Level 1 comprises equity and debt instruments measured at fair value and debt instruments measured at amortised cost whose fair values can be determined based on quoted market prices.

In addition to financial assets and financial liabilities measured at amortised cost, commodity, interest rate and currency derivatives are reported under Level 2. The fair values of assets measured at amortised cost are determined using the multiplier method, amongst other things. The fair values of the derivatives are measured on the basis of discounted expected future cash flows, taking into account forward rates for currencies, interest rates and commodities (market approach). For this purpose, price quotations observable in the market (exchange rates, interest rates and commodity prices) are imported from standard market information platforms into the treasury management system. The price quotations reflect actual transactions involving similar instruments on an active market. All significant inputs used to measure derivatives are observable in the market.

There were no Level 3 financial assets or liabilities to report.

As in the previous year, no financial instruments were transferred between levels in the 2021 financial year.

The following table documents the net gains and losses of the categories of financial instruments:

Net gains and losses by measurement category

€m	2020	2021
Net gains/losses on financial assets		
Debt instruments at amortised cost[1]		
Net gains (+)/losses (–) recognised in profit or loss	–176	–195
Debt instruments at fair value through profit or loss (FVTPL)		
Net gains (+)/losses (–) recognised in profit or loss	34	25
Net gains/losses on financial liabilities		
Debt instruments at fair value through profit or loss (FVTPL)		
Net gains (+)/losses (–) recognised in the income statement	–41	–32
Debt instruments at amortised cost		
Net gains (+)/losses (–) recognised in the income statement	0	0

[1] Only effects from impairment losses are listed.

The net gains and losses mainly include the effects of fair value measurement, impairment and disposals of financial instruments. Dividends and interest are not taken into account for the financial instruments measured at fair value through profit or loss. Interest income and expenses and expenses from commission agreements relating to financial instruments measured at amortised cost are recognised separately in the income statement.

The following tables show the impact of netting agreements based on master netting arrangements or similar agreements on financial assets and financial liabilities as at the reporting date:

Offsetting – assets

€m

				Assets and liabilities not offset in the balance sheet		
	Gross amount of assets	Gross amount of liabilities offset	Recognised net amount of assets offset	Liabilities that do not meet offsetting criteria	Collateral received	Total
As at 31 December 2021						
Derivative financial assets	69	0	69	12	0	**57**
Trade receivables	11,793	110	11,683	12	24	**11,647**
Funds	550	462	88	0	0	**88**
As at 31 December 2020						
Derivative financial assets	24	0	24	18	0	**6**
Trade receivables	9,052	67	8,985	0	15	**8,970**
Funds	715	619	96	0	0	**96**

Offsetting – liabilities

€m

				Assets and liabilities not offset in the balance sheet		
	Gross amount of liabilities	Gross amount of assets offset	Recognised net amount of liabilities offset	Assets that do not meet offsetting criteria	Collateral received	Total
As at 31 December 2021						
Derivative financial liabilities	13	0	13	12	0	**1**
Trade payables	9,666	110	9,556	18	67	**9,471**
Funds	462	462	0	0	0	**0**
As at 31 December 2020						
Derivative financial liabilities	54	0	54	18	0	**36**
Trade payables	7,376	67	7,309	0	0	**7,309**
Funds	619	619	0	0	0	**0**

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 offset, resulting in the recognition of the gross amount of the financial derivative transactions at the reporting date. The conditional right of offset is presented in the tables.

Settlement processes arising from services related to postal deliveries are subject to the Universal Postal Convention and the Interconnect Remuneration Agreement – Europe (IRA-E). These agreements, particularly the settlement conditions, are binding on all public postal operators in respect of the specified contractual arrangements. Imports and exports between the parties to the agreement during a calendar year are summarised in an annual statement of account and presented on a net basis in the final annual statement. Receivables and payables covered by the Universal Postal Convention and the IRA-E agreement are presented on a net basis at the reporting date. In addition, funds are presented on a net basis if a right of offset exists in the normal course of business. The tables show the receivables and payables before and after offsetting.

44 Contingent liabilities and other financial obligations

In addition to provisions and liabilities, the Group has contingent liabilities and other financial obligations. The contingent liabilities are broken down as follows:

Contingent liabilities

€m	2020	2021
Guarantee obligations	96	132
Warranties	13	8
Liabilities from litigation risks	183	213
Other contingent liabilities	440	470
Total	**732**	**823**

Other contingent liabilities also include a potential obligation to make settlement payments in the United States, which had arisen in 2014 mainly as a result of a change in the estimated settlement payment obligations assumed in the context of the restructuring measures in the United States, and other tax-related obligations.

Other financial obligations such as the purchase obligation for investments in non-current assets amounted to €1,190 million (previous year: €1,582 million). They relate primarily to the delivery of additional cargo aircraft from the contract concluded with Boeing in December 2020.

45 Litigation

Many of the postal services rendered by Deutsche Post AG and its subsidiaries (particularly the Post & Parcel division) are subject to sector-specific regulation by the German federal network agency *(Bundesnetzagentur)*. The *Bundesnetzagentur* approves or reviews prices, formulates the terms of downstream access, has special supervisory powers to combat market abuse and guarantees the provision of universal postal services. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

Revenue and earnings risk can arise in particular from the price cap procedure used by the German federal network agency to determine the rates for individual pieces of letter mail. The approval of the rates approved in the price cap procedure for the period from 1 July 2019 to 31 December 2021 was issued by the German federal network agency on 12 December 2019.

In its capacity as a consumer of postal services, a German courier, express and parcel (CEP) association and other customers and providers of postal services filed an action with the Cologne Administrative Court against the pricing approvals granted on 12 December 2019. On 4 January 2021, the Cologne Administrative Court ruled that the CEP association's action suspends the effect of the German federal network agency's decision to raise prices for standard, compact, large format *(Großbrief)* and extra-large format *(Maxibrief)* letters within Germany. The ruling only applies to the CEP association. The proceedings in the main action are still pending.

Moreover, the aforementioned CEP association had previously filed an action against the pricing approvals granted on 4 December 2015 for the years from 2016 to 2018. The German Federal Administrative Court ruled on that action on 27 May 2020. The only one of the approvals that the court deemed unlawful concerned the increase in the price of a standard domestic letter to €0.70. The ruling is only directly applicable to the plaintiff. The amount in dispute was set by the German Federal Administrative Court at a mid-range, four-digit euro amount. To date, the plaintiff had not asserted any claims for a refund of postal charges for the period from 2016 to 2018.

In the grounds for its decision, the court stated that the pricing approval in question was unlawful because the method used to calculate the allowable profit margin under the amended provisions of the 2015 *Post-Entgeltregulierungsverordnung* (PEntgV – Postal Rate Regulation Act) was not in compliance with the provisions of the *Postgesetz* (PostG – German Postal Act) regarding the authority to issue statutory instruments. The German government eliminated this formal deficiency established by the German Federal Administrative Court by way of an amendment to the *Postgesetz* (German Postal Act) entering into force in March 2021 in addition to other amendments. As a result, previous regulatory practice can continue by and large.

Possible negative effects on Deutsche Post of these court rulings and the proceedings underway on pricing approvals by the German federal network agency cannot be ruled out.

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 and the tax authorities hold different opinions on the VAT treatment of certain products. In the interest of resolving these issues, proceedings have been initiated by Deutsche Post AG at the tax court with jurisdiction in this matter, note 44.

On 30 June 2014, DHL Express France received a statement of objections from the French competition authority alleging anti-competitive conduct with regard to fuel surcharges and price fixing in the domestic express business, a business which had been divested in June 2010. The French competition authority made its decision on 15 December 2015. The decision to fine DHL was confirmed by the Paris Court of Appeals on 19 July 2018 and DHL Express France is appealing it before the *Cour de Cassation* (Supreme Court). On 22 September 2021, the *Cour de Cassation* decided to reject DHL Express France's appeal and all other appeals. All legal remedies have therefore been exhausted and the case is considered closed.

In view of the ongoing or announced legal proceedings mentioned above, no further details are given on their presentation in the financial statements.

46 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). In the financial year, a total of €184 million (previous year: €132 million) was recognised for share-based payments, €105 million (previous year: €59 million) of which were cash-settled and €79 million (previous year: €73 million) of which were equity-settled.

46.1 Share-based payment for executives (Share Matching Scheme)

Under the share-based payment system for executives (Share Matching Scheme), certain executives receive part of their variable remuneration for the financial year in the form of shares of Deutsche Post AG in the following year (deferred incentive shares). All Group executives can specify an increased equity component individually by converting a further portion of their variable remuneration for the financial year (investment shares). After a four-year lock-up period during which the executive must be employed by the Group, they again receive the same number of Deutsche Post AG shares (matching shares). Assumptions are made regarding the conversion behaviour of executives with respect to their relevant bonus portion. Share-based payment arrangements are entered into each year, with 1 December of the respective year and 1 April of the following year being the grant dates for each year's tranche. Whereas incentive shares and matching shares are classified as equity-settled share-based payments, investment shares are compound financial instruments and the debt and equity components must be measured separately. However, in accordance with IFRS 2.37, only the debt component is measured due to the provisions of the Share Matching Scheme. The investment shares are therefore treated as cash-settled share-based payments.

Of the expenses under the Share Matching Scheme, €50 million (previous year: €46 million) was attributable to equity-settled share-based payments, and €54 million related to cash-settled share-based payments for investment shares (previous year: €35 million), all of which were unvested as at 31 December 2021.

Additional information on granting and settlement of these rights can be found in note 33 and 34.

Share Matching Scheme

		2016 tranche	2017 tranche	Alternative programme 2018 tranche	2019 tranche	2020 tranche	2021 tranche
Grant date of incentive shares and associated matching shares		1 December 2016	1 December 2017	–	1 December 2019	1 December 2020	1 December 2021
Grant date of matching shares awarded for investment shares		1 April 2017	1 April 2018	1 March 2019	1 April 2020	1 April 2021	1 April 2022
Term	months	52	52	52	52	52	52
End of term		March 2021	March 2022	June 2023	March 2024	March 2025	March 2026
Share price at grant date (fair value)							
Incentive shares and associated matching shares	€	29.04	39.26	n.a.	33.29	40.72	53.55
Matching shares awarded for investment shares	€	31.77	34.97	27.30	23.83	46.52	61.00[1]
Number of deferred incentive shares	thousands	320	256	n.a.	369	246	194[2]
Number of matching shares expected							
Deferred incentive shares	thousands	288	230	n.a.	332	222	174
Investment shares	thousands	901	864	854	1,343	1,007	793
Matching shares issued	thousands	1,148					

[1] Estimated provisional amount; it will be determined on 1 April 2022.
[2] Expected number.

46.2 Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management

Since the 2006 financial year, the company has granted members of the Board of Management cash remuneration linked to the company's long-term share price performance through the issue of stock appreciation rights (SARs) as part of a Long-Term Incentive Plan (LTIP). Participation in the LTIP requires Board of Management members to make a personal investment of 10% of their annual base salary by the grant date of each tranche, primarily in shares.

The SARs granted can be fully or partly exercised after the expiration of a four-year lock-up period at the earliest, provided absolute or relative performance targets have been achieved at the end of this lock-up period. After expiration of the lock-up period, the SARs must be exercised within a period of two years (exercise period); any SARs not exercised expire.

How many, if any, of the SARs granted can be exercised is determined in accordance with four (absolute) performance targets based on the share price and two (relative) performance targets based on a benchmark index. One-sixth of the SARs granted are earned each time the closing price of Deutsche Post shares exceeds the issue price by at least 10, 15, 20 or 25% at the end of the waiting period (absolute performance targets). Both relative performance targets are tied to the performance of the shares in relation to the STOXX Europe 600 Index (SXXP; ISIN EU0009658202). They are met if the share price equals the index performance or if it outperforms the index by more than 10%. Performance is determined by comparing the average price of Deutsche Post shares and the average index value during a reference and a 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 lock-up period. The average (closing) price is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra trading system. If absolute or relative performance targets are not met by the end of the lock-up period, the SARs attributable to them will expire without replacement or compensation. Each SAR exercised entitles the Board of Management member 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.

LTIP 2006

	Issue date	Issue price €	Waiting period expires
2016 tranche	1 September 2016	28.18	31 August 2020
2017 tranche	1 September 2017	34.72	31 August 2021
2018 tranche	1 September 2018	31.08	31 August 2022
2019 tranche	1 September 2019	28.88	31 August 2023
2020 tranche	1 September 2020	37.83	31 August 2024
2021 tranche	1 September 2021	58.68	31 August 2025

The Board of Management members received a total of 862,272 SARs (previous year: 816,498 SARs) with a total value, at the time of issue, of €8.3 million (previous year: €8.0 million).

A stochastic simulation model is used to determine a fair value for the SARs from the 2006 LTIP. The result in the 2021 financial year was an expense of €52 million (previous year: expense of €24 million) and a provision at the reporting date of €44 million (previous year: €34 million). The provision for the rights exercisable by the Board of Management amounted to €14 million at the reporting date (previous year: €20 million).

For further disclosures on share-based payment for members of the Board of Management, see note 47.2.

46.3 Performance Share Plan (PSP) for executives

The Annual General Meeting on 27 May 2014 resolved to introduce the Performance Share Plan (PSP) for executives. Under the PSP, shares are issued to participants at the end of the waiting period. The granting of the shares at the end of the waiting period is linked to the achievement of demanding performance targets. The performance targets under the PSP are identical to the performance targets under the LTIP for members of the Board of Management.

Performance Share Units (PSUs) were issued to selected executives for the first time on 1 September 2014. It is not planned that members of the Board of Management will participate in the PSP. The Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management remains unchanged.

In the consolidated financial statements as at 31 December 2021, a total of €25 million (previous year: €26 million) has been appropriated to capital reserves for the purposes of the plan, with an equal amount recognised in staff costs.

The value of the PSP is measured using actuarial methods based on option pricing models (fair value measurement). Future dividends were taken into account, based on a moderate increase in dividend distributions over the respective measurement period.

The average remaining maturity of the outstanding PSUs as at 31 December 2021 was 24 months.

Performance Share Plan

	2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche
Grant date	1 September 2017	1 September 2018	1 September 2019	1 September 2020	1 September 2021
Exercise price	€34.72	€31.08	€28.88	€37.83	58.68
Waiting period expires	31 August 2021	31 August 2022	31 August 2023	31 August 2024	31 August 2025
Risk-free interest rate	–0.48%	–0.39%	–0.90%	–0.72%	–0.80%
Initial dividend yield of Deutsche Post shares	3.31%	3.70%	3.98%	3.57%	3.07%
Yield volatility of Deutsche Post shares	23.03%	22.39%	21.38%	24.89%	26.49%
Yield volatility of Dow Jones EURO STOXX 600 Index	16.34%	16.29%	14.79%	16.62%	17.33%
Covariance of Deutsche Post shares to Dow Jones EURO STOXX 600 Index	2.78%	2.66%	2.21%	3.05%	3.25%
Number					
Rights outstanding at 1 January 2021	2,631,486	3,042,048	3,417,264	2,645,394	0
Rights granted	0	0	0	0	1,774,848
Rights lapsed	47,400	89,646	90,600	49,200	4,728
Rights settled at the end of the waiting period	2,584,086	0	0	0	0
Rights outstanding at 31 December 2021	0	2,952,402	3,326,664	2,596,194	1,770,120

46.4 Employee Share Plan (ESP) for executives

The Employee Share Plan (ESP) was introduced for another selected group of executives starting on 1 September 2021. Participation in the ESP is voluntary. Executives participating in the ESP can acquire shares of Deutsche Post AG at a discount of 25% from the market price, up to a cap of €10,000 or €15,000, depending on their level. The ESP is offered quarterly. Prior to every savings period, the participating executives can choose the share of their remuneration they wish to invest in the ESP during the upcoming three-month savings period. At the beginning of the following quarter, executives receive shares at a discount of 25% from the market price.

The shares acquired under the ESP are subject to a two-year lock-up period.

In the consolidated financial statements as at 31 December 2021, €3 million was appropriated to capital reserves for the purposes of the ESP, with an equal amount recognised in staff costs.

47 Related-party disclosures

47.1 Related-party disclosures (companies and Federal Republic of Germany)

All companies that are controlled by the Group or with which a joint arrangement exists, or over which the Group can exercise significant influence, are recorded in the list of shareholdings.

Deutsche Post AG maintains a variety of relationships with the Federal Republic of Germany (Federal Republic) and other companies controlled by the Federal Republic of Germany.

The Federal Republic is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG has direct business relationships with the individual public authorities and other government agencies as independent individual customers. The services provided for these customers are insignificant in respect of Deutsche Post AG's overall revenue.

RELATIONSHIPS WITH KFW

KfW supports the Federal Republic in continuing to privatise companies such as Deutsche Post AG or Deutsche Telekom AG. In 1997, KfW, together with the Federal Republic, developed a "placeholder model" as a tool to privatise government-owned companies. Under this model, the Federal Republic sells all or part of its investments to KfW with the aim of fully privatising these state-owned companies. On this basis, KfW has purchased shares of Deutsche Post AG from the Federal Republic in several stages since 1997 and executed various capital market transactions using these shares. KfW's current interest in Deutsche Post AG's share capital is 20.49%. Deutsche Post AG is thus considered to be an associate of the Federal Republic.

RELATIONSHIPS WITH THE *BUNDESANSTALT FÜR POST UND TELEKOMMUNIKATION* (BANST PT)

The *Bundesanstalt für Post und Telekommunikation* (BAnst PT) is a government agency and falls under the technical and legal supervision of the German Federal Ministry of Finance. The BAnst PT continues to manage the social facilities such as the postal civil servant health insurance fund, the recreation programme, the *Postbeamtenversorgungskasse* (PVK – Postal civil servant pension fund), the *Versorgungsanstalt der Deutschen Bundespost* (VAP – *Deutsche Bundespost* institution for supplementary retirement pensions) and the welfare service for Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG. Tasks are performed on the basis of agency agreements. In 2021, Deutsche Post AG was invoiced for €142 million (previous year: €143 million) in instalment payments relating to services provided by the BAnst PT. Further disclosures on the PVK and the VAP can be found in note 7 and 37.

RELATIONSHIPS WITH THE GERMAN FEDERAL MINISTRY OF FINANCE

Deutsche Post AG entered into an agreement with the German 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 6 months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the Federal Republic by paying a flat fee. In 2021, this initiative resulted in 8 permanent transfers (previous year: 39) and 4 secondments with the aim of a permanent transfer in 2022 (previous year: 5).

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 2021, this initiative resulted in 1 permanent transfer (previous year: 4).

RELATIONSHIPS WITH DEUTSCHE BAHN AG AND ITS SUBSIDIARIES

Deutsche Bahn AG is wholly owned by the Federal Republic. Owing to this control relationship, Deutsche Bahn AG is a related party to Deutsche Post AG. Deutsche Post DHL Group has various business relationships with the Deutsche Bahn Group. These mainly consist of transport service agreements.

RELATIONSHIPS WITH PENSION FUNDS

The real estate with a fair value of €1,653 million (previous year: €1,563 million) – which can be offset as plan assets – of which Deutsche Post Pensions-Treuhand GmbH & Co. KG, Deutsche Post Altersvorsorge Sicherung e.V. & Co. Objekt Gronau KG and Deutsche Post Grundstücks-Vermietungsgesellschaft beta mbH Objekt Leipzig KG are the legal owners, is let almost exclusively to the Group via Deutsche Post Immobilien GmbH. These arrangements led to lease liabilities of €471 million as at 31 December 2021 (previous year: €494 million). In the 2021 financial year, Deutsche Post Immobilien GmbH extinguished €25 million (previous year: €24 million) in lease liabilities and paid €15 million (previous year: €16 million) in interest. Deutsche Post Pensions-Treuhand GmbH & Co. KG owns 100% of Deutsche Post Pensionsfonds AG. Further disclosures on pension funds can be found in note 7 and 37.

RELATIONSHIPS WITH UNCONSOLIDATED COMPANIES, INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND JOINT OPERATIONS

In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with unconsolidated companies, investments accounted for using the equity method and joint operations deemed to be related parties of the Group in the course of its ordinary business activities.

Transactions were conducted in the 2021 financial year with major related parties, resulting in the following items in the consolidated financial statements:

€m	Investments accounted for using the equity method		Unconsolidated companies	
	2020	2021	2020	2021
Trade receivables	5	2	3	5
Loans	1	1	1	0
Receivables from in-house banking	0	0	0	0
Financial liabilities	0	0	3	9
Trade payables	3	5	2	6
Income[1]	8	11	0	2
Expenses[2]	1	1	15	10

[1] Relates to revenue and other operating income. [2] Relates to materials expense, staff costs and other operating expenses.

Deutsche Post AG issued letters of commitment in the amount of €7 million (previous year: €4 million) for these companies. Of this amount, €1 million (previous year: €1 million) was attributable to investments accounted for using the equity method, €6 million (previous year: €1 million) to joint operations and €0 million (previous year: €2 million) to unconsolidated companies.

47.2 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 these related parties in the 2021 financial year. In particular, the company granted no loans to these related parties.

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	2020	2021
Short-term employee benefits (excluding share-based payment)	15	18
Post-employment benefits	3	4
Termination benefits	0	0
Share-based payment	19	45
Total	**37**	**67**

The employee representatives on the Supervisory Board employed by the Group also receive their normal salaries for their work in the company in addition to the aforementioned benefits for their work on the Supervisory Board. 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 €42 million at the reporting date (previous year: €44 million).

Starting in 2008, newly appointed Board of Management members began receiving a defined contribution pension commitment. This entails the company crediting an annual amount totalling 35% of each Board of Management member's base salary to a virtual pension account. This capital bears interest until eligibility to receive benefits begins. The pension benefit is paid out as capital in the amount of the accumulated pension balance. Pension eligibility is triggered at the earliest when retirement age is reached, in the event of invalidity during the term of office, or upon death. When eligible for the pension benefit, the beneficiary may choose an annuity option. The Chairman of the Board of Management is still entitled to a legacy commitment in the form of a direct pension based on his final salary.

47.3 Remuneration disclosures in accordance with the HGB

BOARD OF MANAGEMENT REMUNERATION

The remuneration paid to members of the Board of Management in the 2021 financial year totalled €15.3 million (previous year: €12.6 million). Non-performance-related components (fixed and fringe benefits) accounted for €8.6 million (previous year: €8.3 million). A total of €4.1 million (previous year: €3.9 million) was attributable to the annual bonus paid as a performance-related component along with €2.6 million from the 2019 medium-term component (previous year: €0.4 million from the 2018 medium-term component). An additional €4.1 million (previous year: €3.9 million) of the annual bonus was transferred to the medium-term component in 2021 and will be paid out in 2024. The condition for that payout is that the EAC (EBIT after asset charge) sustainability target is met. In the financial year, the Board of Management members also received a total of 862,272 SARs (previous year: 816,498 SARs), which at the issue date were valued at €8.3 million (previous year: €8.0 million).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

Benefits paid to former members of the Board of Management or their surviving dependants amounted to €5.2 million (previous year: €8.9 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs was €92 million (previous year: €105 million).

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in the 2021 financial year amounted to €2.6 million; as in the prior year, €2.4 million of this amount was also attributable to a fixed component and €0.2 million to attendance allowances.

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found no later than at the time the Annual General Meeting is convened in the remuneration report published on the **company's website.**

SHAREHOLDINGS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As at 31 December 2021, 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 Article 19 of the Market Abuse Regulation can be viewed on the **company's website.**

48 Auditing fee

The fee for the auditing services provided by Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft amounted to €11 million in the 2021 financial year and was recognised as an expense.

Auditing fee

€m	2021
Audit services	10
Other assurance services	1
Tax advisory services[1]	0
Other services[1]	0
Total	**11**

[1] Rounded below €1 million.

The audit services category includes the fees for auditing the consolidated financial statements and for auditing the annual financial statements prepared by Deutsche Post AG and its German subsidiaries. The fees for reviewing the interim reports, support by auditors in connection with implementing new accounting requirements and the fees for voluntary audits beyond the statutory audit engagement, such as audits of the internal control system (ICS), are also reported in this category.

Other assurance services related in particular to attestation reports relating to the internal control system. Tax advisory services were attributable in particular to support during tax audits conducted by the tax authorities. Other services were comprised mainly of general training sessions (workshops) in areas outside of accounting.

49 Exemptions under the HGB

For the 2021 financial year, the following German subsidiaries have exercised the simplification options under Section 264(3) HGB or Section 264b HGB and, if applicable, Section 291 HGB:

- Agheera GmbH
- Albert Scheid GmbH
- ALTBERG GmbH
- Betreibergesellschaft Verteilzentrum GmbH
- CSG GmbH
- CSG.TS GmbH
- Danzas Deutschland Holding GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Assekuranz Vermittlungs GmbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post DHL Beteiligungen GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG
- Deutsche Post DHL Express Holding GmbH
- Deutsche Post DHL Real Estate Deutschland GmbH (formerly: Deutsche Post DHL Corporate Real Estate Management GmbH)
- Deutsche Post DHL Research and Innovation GmbH
- Deutsche Post Dialog Solutions GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post E-POST Solutions GmbH
- Deutsche Post Expansion GmbH
- Deutsche Post Fleet GmbH
- Deutsche Post Immobilien GmbH
- Deutsche Post InHaus Services GmbH
- Deutsche Post Investments GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post IT Services (Berlin) GmbH
- Deutsche Post Mobility GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Vermarktungs GmbH
- Deutsche Post Zahlungsdienste GmbH
- DHL 2-Mann-Handling GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL Automotive Offenau GmbH
- DHL Consulting GmbH
- DHL Delivery GmbH
- DHL Express Customer Service GmbH
- DHL Express Germany GmbH
- DHL Express Network Management GmbH
- DHL FoodLogistics GmbH
- DHL Freight Germany Holding GmbH
- DHL Freight GmbH
- DHL Global Event Logistics GmbH (formerly: DHL Trade Fairs & Events GmbH)
- DHL Global Forwarding GmbH
- DHL Global Forwarding Management GmbH
- DHL Global Management GmbH
- DHL Home Delivery GmbH
- DHL Hub Leipzig GmbH
- DHL International GmbH
- DHL Paket GmbH
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Sorting Center GmbH
- DHL Supply Chain (Leipzig) GmbH
- DHL Supply Chain Management GmbH
- DHL Supply Chain Operations GmbH (formerly: DHL Fashion Retail Operations GmbH)
- DHL Supply Chain VAS GmbH
- Erste End of Runway Development Leipzig GmbH
- Erste Logistik Entwicklungsgesellschaft MG GmbH
- European Air Transport Leipzig GmbH
- Gerlach Zolldienste GmbH
- interServ Gesellschaft für Personal- und Beraterdienstleistungen mbH
- it4logistics GmbH
- Saloodo! GmbH
- StreetScooter GmbH

50 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 the 2021 financial year required by Section 161 AktG. This Declaration of Conformity can be accessed on the company's website.

51 Significant events after the reporting date and other disclosures

On 3 January 2022, Deutsche Post DHL Group sold the production rights and the complete ownership of the intangible assets for the production of StreetScooter electric vans as well as all shares in StreetScooter Japan K.K. and StreetScooter Schweiz for a purchase price of €100 million to ODIN Automotive S.à.r.L., Luxembourg. As part of the transaction, the Group acquired a non-controlling interest in the amount of 10% in ODIN. The sale resulted in disposal gains of €88 million to be recognised for the 2022 financial year. As was decided at the beginning of 2020, StreetScooter GmbH, which remains within the Group, will continue to serve as a supplier of vehicle parts and batteries for the Group and focus on maintaining and repairing the existing fleet.

Beyond that, there were no reportable 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, which is combined with the management report of Deutsche Post AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bonn, 18 February 2022

Deutsche Post AG
The Board of Management

Dr Frank Appel	Ken Allen
Oscar de Bok	Melanie Kreis
Dr Tobias Meyer	Dr Thomas Ogilvie
John Pearson	Tim Scharwath

INDEPENDENT AUDITOR'S REPORT

To Deutsche Post AG, Bonn

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit opinions
We have audited the consolidated financial statements of Deutsche Post AG, Bonn, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Deutsche Post AG, which is combined with the company's management report, for the financial year from January 1 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of those parts of the Group management report listed in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [*Handelsgesetzbuch*: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of those parts of the Group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the audit opinions
We conducted our audit of the consolidated financial statements and of the Group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of goodwill
❷ Pension obligations and plan assets

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Recoverability of goodwill**
① In the consolidated financial statements of Deutsche Post AG, goodwill amounting to EUR 11.4 billion is reported under the balance sheet item "Intangible assets", representing approximately 18% of total assets and 58% of the Group's

reported equity. Goodwill is tested for impairment by the company on an annual basis or if there are indications that goodwill may be impaired. The impairment test of goodwill is based on the recoverable amount, which is determined by applying a measurement model using the discounted cash flow method.

This matter was of particular significance in our audit, because the result of this measurement depends to a large extent on the estimation of future cash inflows by the company's executive directors and the discount rate used, and is therefore subject to considerable uncertainty.

② We satisfied ourselves as to the appropriateness of the future cash inflows used in the calculation by, inter alia, comparing this data with the current budgets in the three-year plan prepared by the executive directors and approved by the company's Supervisory Board, and reconciling it against general and sector-specific market expectations. With the knowledge that even relatively small changes in the discount rate can have a material impact on the recoverable amount calculated using this method, we also focused our testing on the parameters used to determine the discount rate applied, including the weighted average cost of capital, and evaluated the company's calculation procedure. Due to the materiality of goodwill and the fact that its measurement also depends on economic conditions which are outside of the company's sphere of influence, we carried out our own additional sensitivity analyses and found that the respective goodwill is sufficiently covered by the discounted future cash inflows.

Overall, the measurement parameters and assumptions used by the executive directors to be reproduceable.

③ The company's disclosures regarding goodwill are contained in note 22 of the notes to the consolidated financial statements.

❷ Pension obligations and plan assets

① In the consolidated financial statements of Deutsche Post AG a total of EUR 4.2 billion is reported under the balance sheet item "Provisions for pensions and similar obligations". As a result of pension scheme surpluses in some defined benefit plans, pension assets of EUR 0.4 billion are reported under the balance sheet item "Other non-current assets". The net pension provisions of EUR 3.8 billion were calculated on the basis of the present value of the obligations amounting to EUR 18.5 billion, less the plan assets of EUR 14.7 billion, which were measured at fair value. The obligations from defined benefit pension plans were measured using the projected unit credit method in accordance with IAS 19. This requires in particular that assumptions are made as to the long-term salary and pension trend as well as average life expectancy. Furthermore, the discount rate must be determined as of the balance sheet date by reference to the yield on high-quality corporate bonds with matching currencies and consistent terms. Changes to these measurement assumptions are recognized directly in equity as actuarial gains or losses. Changes in the financial measurement parameters and experience adjustments resulted in actuarial gains of EUR 1.3 billion. The plan assets are measured at fair value, which in turn involves making estimates that are subject to estimation uncertainties. Deviations from the planned development of the fair value of the plan assets are also recognized directly in equity. These deviations resulted in gains of EUR 0.7 billion.

In our view, these matters were of particular significance, as the measurement of the pension obligations and plan assets is to a large extent based on the estimates and assumptions made by the company's executive directors.

② With the knowledge that estimated values bear an increased risk of accounting misstatements and that the executive directors' measurement decisions have a direct and significant effect on the consolidated financial statements, we assessed the appropriateness of the values adopted, in particular the measurement parameters used in the calculation of the pension provisions, inter alia on the basis of actuarial reports made available to us and taking into account the expert knowledge of our internal specialists for pension valuations. Our evaluation of the fair values of plan assets was in particular based on bank confirmations submitted to us, as well as other statements of assets and real estate appraisals.

On the basis of our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were sufficiently documented and supported to justify the recognition and measurement of the material pension provisions.

③ The company's disclosures relating to provisions for pensions and similar obligations as well as pension assets are contained in note 37 of the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the Group management report:

- the statement on corporate governance pursuant to § 289 f HGB and § 315 d HGB included in section "governance" of the Group management report
- the non-financial statement pursuant to § 289 b Abs. 1 HGB and § 315 b Abs. 1 HGB included in section "non-financial statement" of the Group management report

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the Group management report prepared for publication purposes in accordance with § 317 Abs. 3a HGB

Assurance opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the electronic file DP_AG_KA_KLB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the Group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the audit of the consolidated financial statements and on the Group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the assurance opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the Group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the Group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to article 10 of the EU Audit regulation

We were elected as Group auditor by the Annual General Meeting on May 6, 2021. We were engaged by the Supervisory Board on November 24, 2021. We have been the Group auditor of the Deutsche Post AG, Bonn, without interruption since the company first met the requirements of a public-interest entity within the meaning of 316a Satz 2 Nr. 1 HGB in financial year 2000.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited Group management report as well as the assured ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the "Report on the assurance on the electronic rendering of the consolidated financial statements and the Group management report prepared for publication purposes in accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Verena Heineke.

Düsseldorf, 18 February 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm	Verena Heineke
Wirtschaftsprüfer	*Wirtschaftsprüferin*
(German Public Auditor)	(German Public Auditor)

INDEPENDENT PRACTITIONER'S REPORT

on a Limited and Reasonable Assurance Engagement on Non-financial Reporting

PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined non-financial statement and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

To Deutsche Post AG, Bonn

We have performed an assurance engagement on the combined non-financial statement of Deutsche Post AG, Bonn, (hereinafter the "Company") for the period from 1 January to 31 December 2021 (hereinafter the "Combined Non-financial Statement") included in section "Non-financial Statement" of the combined management report. In accordance with our engagement we have divided the level of assurance to be obtained by us and

- performed a reasonable assurance engagement on the indicators
  - Realised Decarbonisation Effects 2021 in the first paragraph of the section "GHG emissions above prior-year level"
  - Disclosures for 2021 in the table "GHG emissions (well-to-wheel)"
  - Disclosures in the chart "GHG emissions by mode of transportation"
  - GHG efficiency (CEX) in the first paragraph of the section "GHG efficiency drops"
  - Share of electricity from renewable sources in the third paragraph of the section "Using sustainable technologies and fuels"
  - Disclosures for 2021 in the table "Energy consumption in the company's own fleet and buildings (Scopes 1 and 2)"
  - Share of female employees 2021 in the table "Workforce development"
  - Share of unplanned employee turnover 2021 in the table "Workforce development"
  - Disclosures for 2021 in the table "Selected results from the Employee Opinion Survey"
  - Share of women in middle and upper management in the third paragraph of the section "Diversity is our strength"
  - Disclosures in the table "Workplace accident statistics"
  - Sickness rate in the fifth paragraph of the section "Occupational health and safety"
  - Approval rate for proud of the Group's contribution to society in the third paragraph of the section "Partnerships and initiatives"
  - Compliance training certification rate in middle and upper management 2021 in the seventh paragraph of the section "Trusted business partner thanks to compliance"
  - Number of audits by Corporate Internal Audit in the eighth paragraph of the section "Trusted business partner thanks to compliance"
  - Number of on-site reviews relating to respect for human rights in the fourth paragraph of the section "Respecting human rights"
  - Number of audits relating to respect for human rights by Corporate Internal Audit in the sixth paragraph of the section "Respecting human rights"

disclosed in the Combined Non-financial Statement (hereafter the "Indicators") and

- performed a limited assurance engagement on all information other than the Indicators in the Combined Non-financial Statement.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Combined Non-financial Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB (*"Handelsgesetzbuch"*: "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy" of the Combined Non-financial Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they consider necessary to enable the preparation of a Combined Non-financial Statement that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the Combined Non-financial Statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors *("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP")* as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms *(IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1)* – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with reasonable assurance on the Indicators disclosed in the Company's Combined Non-financial Statement and a limited assurance on all information other than the Indicators in the Combined Non-financial Statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to

- obtain reasonable assurance whether the Indicators disclosed in the Company's Combined Non-financial Statement for the period from 1 January to 31 December 2021 have been prepared, in all material respects, in accordance with §§ 315 c in conjunction with 289c to 289e HGB by the executive directors and
- obtain limited assurance about whether any matters have come to our attention that cause us to believe that all information other than the Indicators in the Company's Combined Non-financial Statement, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, are not prepared, in all material respects, in accordance with §§ 315 c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Non-financial Statement.

The procedures performed for the limited assurance engagement part are less extensive than those performed for the reasonable assurance engagement part, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Company's sustainability organization and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Non-financial Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Non-financial Statement
- Identification of likely risks of material misstatement in the Combined Non-financial Statement
- Analytical procedures on selected disclosures in the Combined Non-financial Statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Combined Non-financial Statement
- Inquiries on the relevance of climate-risks
- Evaluation of the presentation of the Combined Non-financial Statement

In the course of our reasonable assurance engagement part on the Indicators disclosed in the Company's Combined Non-financial Statement, we have performed the following assurance procedures and other activities in addition to those described above:

- Evaluation of the internal control system regarding the Indicators
- Inspection of processes for the collection, control, analysis and aggregation of selected data of different sites of the Company on the basis of samples

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

In our opinion the Indicators disclosed in the Company's Combined Non-financial Statement for the period from 1 January to 31 December 2021 have been prepared, in all material respects, in accordance with §§ 315 c in conjunction with 289c to 289e HGB by the executive directors.

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that all information other than the Indicators in the Combined Non-financial Statement of the Company for the period from 1 January to 31 December 2021 is not prepared, in all material respects, in accordance with §§ 315 c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Non-financial Statement. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Düsseldorf, 18 February 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink ppa. Thomas Groth
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL CALENDAR

2022

3 May	**Results of the first quarter of 2022**
6 May	**2022 Annual General Meeting**
11 May	**Dividend payment**
5 August	**Results of the first half of 2022**
8 November	**Results of the first nine months of 2022**

2023

9 March	**Results of financial year 2022**
3 May	**Results of the first quarter of 2023**
4 May	**2023 Annual General Meeting**
9 May	**Dividend payment**
1 August	**Results of the first half of 2023**
7 November	**Results of the first nine months of 2023**

Updates to the financial calendar as well as information on live webcasts can be found on our **Reporting hub.**

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