2019 FINANCIAL YEAR

focussing on our profitable core

Deutsche Post DHL Group

Selected key figures

		2018	2019	+/– %	Q4 2018	Q4 2019	+/– %
Revenue	€m	61,550	63,341	2.9	16,926	16,956	0.2
Profit from operating activities (EBIT)	€m	3,162	4,128	30.6	1,134	1,258	10.9
Return on sales[1]	%	5.1	6.5	–	6.7	7.4	–
EBIT after asset charge (EAC)	€m	716	1,509	>100	509	595	16.9
Consolidated net profit for the period[2]	€m	2,075	2,623	26.4	813	858	5.5
Free cash flow	€m	1,059	867	–18.1	1,307	1,163	–11.0
Net debt[3]	€m	12,303	13,367	8.6	–	–	–
Return on equity before taxes	%	19.3	24.6	–	–	–	–
Earnings per share[4]	€	1.69	2.13	26.0	0.66	0.70	6.1
Dividend per share	€	1.15	1.25[5]	–	–	–	–
Number of employees[6]		547,459	546,924	–0.1	–	–	–

[1] EBIT / revenue.
[2] After deduction of non-controlling interests.
[3] Calculation Combined Management Report, page 45.
[4] Basic earnings per share.
[5] Proposal.
[6] Headcount at the end of the year, including trainees.

DR FRANK APPEL
Chief Executive Officer

With our Strategy 2025, we shall continue to grow in the years ahead, even in a volatile economic climate.

2019 was an important year for Deutsche Post DHL Group. We are in better shape than ever and have a clear view of where we want to go next. In terms of strategy, we are concentrating on what we do best: our core business, where digitalisation will continue to play an important role. By steadily modernising our IT infrastructure and using new technologies, we simplify day-to-day work for our employees, improve the customer experience and increase our efficiency. This will enable us to post continued growth in the years ahead.

Twelve months ago, I shared this thought with you in my interview: “2019 will be challenging but we can overcome the challenges and the measures we’ve introduced are beginning to pay off.” In fact, we did succeed in getting the mail and parcel business back on track by restructuring our divisions, reassigning responsibility in management, boosting productivity and lowering indirect costs.

Looking back, I am proud to say that 2019 was a good year for our company in spite of all the business challenges we faced. All divisions at Deutsche Post DHL Group continued to grow. We strengthened our earnings power whilst also making significant investments in digitalisation and the expansion of our networks in order to improve our service and ensure profitable future growth.

In recent years, we have successfully positioned ourselves as the market leader in global logistics. Deutsche Post DHL Group is the backbone of world trade. Our global networks facilitate trade, connecting people and improving their lives.

Our purpose: connecting people, improving lives.

We provide secure employment, a good working environment and career prospects for around 550,000 employees. We make life easier for our customers, creating added value and providing meaningful benefits to society. For our shareholders, we are a good investment in a growing industry.

Our portfolio includes Europe's leading mail and parcel delivery service provider and international express, freight forwarding, e-commerce and supply chain management services. This balanced and focussed portfolio, the profitable core of our business, enables us to profit from rapidly growing international markets whilst cushioning us against the volatility of global trade.

The crisis caused by the coronavirus highlights both the challenges and the importance of a diversified portfolio. It is currently impossible to estimate how strong the virus's impact will be, both overall and on our business in particular. We therefore announced on 28 February 2020 that our earnings forecast for the current financial year excludes the effects of the virus and that we would refocus StreetScooter on the operation of its existing fleet of vehicles.

Our focus: profitable growth in our core business.

Focussing upon our profitable core business means being aware of our own strengths and continuing to improve them. Deutsche Post DHL Group is in better shape than ever. We shall build upon this strong foundation in order to make the most of opportunities such as those arising from digitalisation and e-commerce logistics.

DHL had an anniversary in 2019; this successful brand has now been in business for fifty years and has had a major impact upon the logistics industry. There will also be some important milestones in 2020. Deutsche Post AG was founded 25 years ago with the privatisation of Deutsche Bundespost, and Deutsche Post shares have been traded on stock exchanges since November 2000 – a clear success story for us and for the investors who have accompanied us on this long journey. We aim to add more chapters to this story.

I firmly believe that our company is on the right course for profitable future growth in our core business, even in a volatile economic climate, thanks to our great flexibility, strong corporate culture and clear strategic direction.

COMBINED MANAGEMENT REPORT

3–70

This report comprises the Group Management Report of Deutsche Post DHL Group and the Management Report of Deutsche Post AG. The presentation mostly covers the Group; information pertaining solely to Deutsche Post AG is identified as such.

GENERAL INFORMATION

Business model

An international service portfolio
Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. Under its Deutsche Post and DHL brands, Deutsche Post DHL Group provides an international service portfolio consisting of letter and parcel dispatch, express delivery, freight transport, supply chain management and e-commerce solutions. The Group is organised into five operating divisions: Post & Parcel Germany, Express, Global Forwarding, Freight, Supply Chain and eCommerce Solutions. The services offered are described in the section on Business units, page 6 ff. Each of the divisions is managed by its own divisional headquarters and subdivided into functions, business units and 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 Corporate Functions.

Organisational structure as at 31 December 2019

Deutsche Post DHL Group

Corporate Functions

CEO, Global Business Services
Board member
Frank Appel
Functions
- Board Services
- Corporate Legal
- Corporate Office
- Corporate Development & First Choice
- Corporate Executives
- Corporate Communications, Sustainability & Brands
- Corporate Public Policy & Regulation Management
- Global Business Services (Corporate Procurement, Corporate Real Estate, IT Services, Insurance & Risk Management etc.)

Finance
Board member
Melanie Kreis
Functions
- Corporate Accounting & Controlling
- Investor Relations
- Corporate Finance
- Corporate Audit & Security
- Taxes
- Divisional Finance Organisations
- Legal Services

Human Resources, Corporate Incubations
Board member
Thomas Ogilvie
Functions
- Corporate HR Germany & Employee Relations International
- Corporate HR Standards & Processes
- HR for Global Functions
- Divisional HR Organisations

Business unit
- Corporate Incubations

Divisions

Post & Parcel Germany
Board member
Tobias Meyer
Business units
- Post
- Parcel

Express
Board member
John Pearson
Regions
- Europe
- Americas
- Asia Pacific
- MEA (Middle East and Africa

Global Forwarding, Freight
Board member
Tim Scharwath
Business units
- Global Forwarding
- Freight

Supply Chain
Board member
Oscar de Bok
Regions
- EMEA (Europe, Middle East and Africa)
- Americas
- Asia Pacific

eCommerce Solutions
Board member
Ken Allen
Regions
- Americas
- Europe
- Asia

Function
- Customer Solutions & Innovation

Organisational changes

On 1 January 2019, Ken Allen assumed responsibility for the newly created eCommerce Solutions division. The Express division has been led by John Pearson since 1 January 2019.

Since 1 April 2019, Tobias Meyer has been responsible for the Post & Parcel Germany division, which was previously managed concurrently by CEO Frank Appel.

In June 2019, Tim Scharwath's seat on the Board of Management and his contract were renewed until May 2025.

In September, the Supervisory Board extended Thomas Ogilvie's contract for five years until August 2025. Thomas Ogilvie is the Labour Director and Board of Management member responsible for Human Resources and Corporate Incubations.

The Supply Chain board department has been run by Oscar de Bok since 1 October 2019, following John Gilbert's resignation from the Board for personal reasons effective as of 30 September 2019.

A presence that spans the globe

Deutsche Post DHL Group's locations can be found in the @ list of shareholdings, dpdhl.com/en/investors. The following graphic provides an overview of market volumes in key regions. Our market shares are detailed in the business units section below.

Market volumes[1]

Global (2018)

57
M TEUs
Ocean freight[3]

217
€ BN
Contract logistics[4]

24
M TONNES
Air freight[2]

24
€ BN
International express market (2016)[5]

Germany (2019)

4.2
€ BN
Mail communication[6]

26.9
€ BN
Advertising market[7]

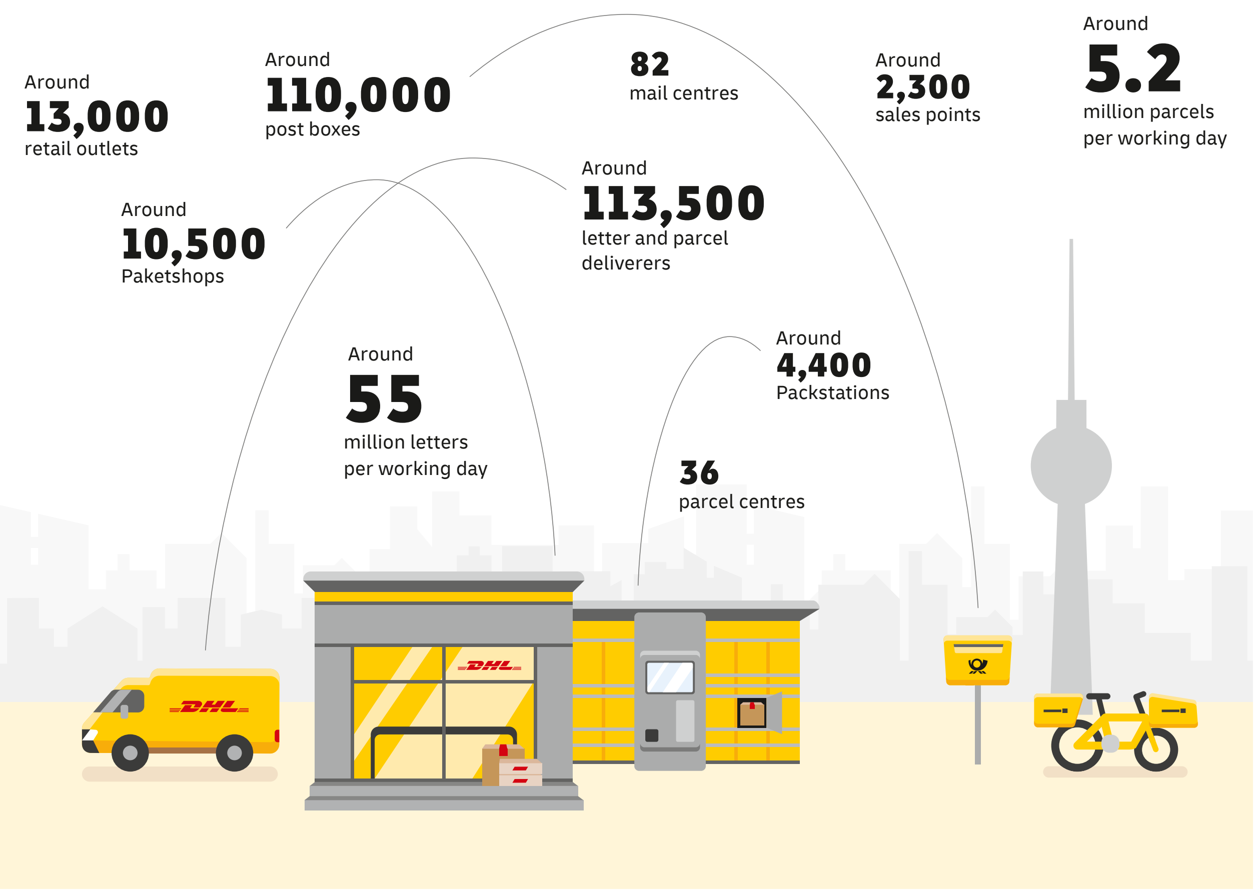
(2018)	Middle East/Africa	Americas	Europe	Asia Pacific
Air freight (m tonnes)[2]	1.5	5.4	6.6	11.0
Ocean freight (m TEUs)[3]	5.8	9.2	8.4	33.9
Contract logistics (€ bn)[4]	7.4	64.1	72.5	73.2
International express market (€ bn)[5]	–	8.2 (2016)	7.1 (2016)	8.0 (2016)
Road transport (€ bn)[8]	–	–	206	–

[1] Regional volumes do not add up to global volumes due to rounding. [2] Data based solely upon export freight tonnes. Source: Seabury Consulting. [3] Twenty-foot equivalent units; estimated share of total market controlled by forwarders. Data based solely upon export freight tonnes. Source: company estimates, Seabury Consulting. [4] According to company estimates. [5] Includes the Time Definite International express product. Country base: Americas, Europe, Asia Pacific, AE, SA, ZA (Global); AR, BR, CA, CL, CO, MX, PA, US (Americas); AT, CZ, DE, ES, FR, IT, NL, PL, RO, RU, SE, TR, UK (Europe); AU, CN, HK, IN, JP, KR, SG, TW (Asia Pacific). Source: Market Intelligence, 2017, annual reports and desk research. [6] Only business communications. Source: company estimates. [7] Includes all advertising media with external distribution costs. Source: company estimates. [8] Market volume covers 25 European countries, excluding bulk and specialties transport. Source: DHL Market Intelligence Study 2019, based upon company calculations and content supplied by IHS Markit Group, copyright® IHS Global Inc., 2019. All rights reserved.

Business units

POST & PARCEL GERMANY DIVISION

Nationwide transport and delivery network in Germany, 2019



The postal service for Germany

As Europe's largest postal company, we deliver around 55 million letters every working day in Germany. Our products and services are targeted towards both private and business customers and range from physical and hybrid letters to special products for merchandise delivery, and include additional services such as registered mail, cash on delivery and insured items.

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). Here we look at the business customer 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 62.2% compared with the prior year (63.4%).

German mail communication market, business customers, 2019

Market volume: around €4.2 billion

Deutsche Post	62.2%
Competition	37.8%

Source: company estimates.

Cross-channel customer dialogue

On request, our dialogue marketing unit offers end-to-end solutions to advertisers – from address services and tools for design and creation all the way to printing, delivery and evaluation. This supports cross-channel, personalised and automated customer dialogue so that digital and physical items with inter-related content reach recipients according to a co-ordinated timetable and without any coverage waste.

The advertising market in Germany reported a slight drop of 0.1% in 2019 to come in at €26.9 billion. Our share of this highly fragmented market declined to 7.5% (previous year: 7.8%).

German advertising market[1], 2019

Market volume: €26.9 billion

Competition	92.5%
Deutsche Post	7.5%

[1] Includes all advertising media with external distribution costs; the placement costs are shown as ratios.

Source: company estimates.

Dense parcel network further expanded

We maintain a dense network of parcel acceptance and drop-off points in Germany, which we made even denser in the reporting year. Our portfolio of recipient services allows our customers to receive their parcels individually and conveniently. They can decide at short notice whether their parcels should be delivered to an alternative address, a specific retail outlet or a Paketshop. We support business customers in growing their online retail businesses and we can cover the entire logistics chain through to returns management on request.

The German parcel market continues to be subject to competition-driven structural changes. Thus, in addition to the services offered by the established providers, new players have also entered the market, at least some of which provide the delivery of mail items as part of their own e-commerce offering.

The overall larger market volume including these deliveries can only be estimated; we expect our share of this volume to be a good 40% in 2019, roughly unchanged from 2018.

EXPRESS DIVISION

A global express network

In the Express division, we transport urgent documents and goods reliably and on time from door to door. Our global network spans more than 220 countries and territories in which some 105,000 employees provide services to around 2.7 million customers.

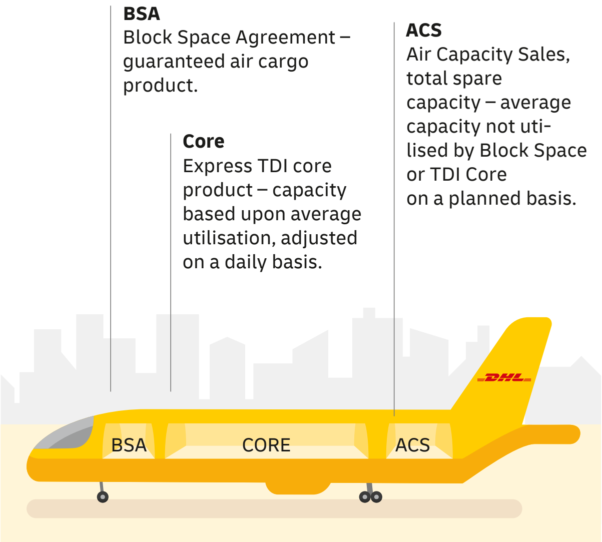
Time-definite international shipments: our core business

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 key factor in ensuring fast and reliable, door-to-door service. We also provide industry-specific services to complement our TDI product. For example, our Medical Express transport solution, which is tailored specifically to customers in the Life Sciences & 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 of our cargo space remains, 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



Modernising our intercontinental fleet

In 2018, we contracted with Boeing to purchase 14 new 777F aircraft as part of upgrading our intercontinental fleet. The first four aeroplanes were delivered and added to our network in 2019. The next six planes are planned for delivery during 2020.

Trade boosts international express business

The international express business is benefiting from cross-border e-commerce as well as the growing importance of small and medium-sized enterprises in the e-commerce segment. We therefore focus upon a select mix of customers and cost-efficient delivery to ensure profitable growth.

Continuing to expand and modernise the European network

In the Europe region, we are reinforcing our network by steadily expanding our infrastructure and modernising our fleet. In total five Airbus A330-200s were added to the fleet in the past two years. In addition, Aerologic has been flying for us since October 2019 with direct flights between Cologne / Bonn and Hong Kong. In November 2019, our newly built logistics centre was officially inaugurated at Cologne Bonn Airport. Additional projects are planned, including the opening of the new or expanded hubs in Milan (Malpensa), Istanbul and Paris.

Expanding service in the Americas region

The air fleet was upgraded with the addition of three Boeing 767-300s, all converted from passenger to freight aircraft. In the USA, we opened a new gateway in Chicago and modernised our gateway at JFK Airport in New York, amongst other things. In Canada, we are investing in a new gateway in Hamilton. We plan to make this gateway one of our biggest inbound locations worldwide. In Latin America, we continued making infrastructure improvements in Brazil and Mexico.

Additional investments in Asia

We opened new locations in Sri Lanka, Indonesia, Malaysia, Vietnam, New Zealand, Australia, Taiwan, Japan and Thailand. We also announced the expansion of our Incheon gateway in South Korea last October. In addition, the third Airbus we converted – an A330-300 – was put into operation. A new direct flight has been established to serve rapidly growing regions in the Philippines. In China, we entered into a strategic partnership with EHang, a drone manufacturer. The idea is to jointly develop fully automated, intelligent delivery solutions for China's metropolitan areas.

Reliable partner in the MEA region

In the MEA (Middle East and Africa) region, the Middle East continued to suffer from the sometimes unstable political situation in 2019. We were nonetheless able to maintain our operations whilst ensuring the safety of our employees.

GLOBAL FORWARDING, FREIGHT DIVISION

The air, ocean and overland freight forwarder

Our air, ocean and overland freight forwarding services include standardised transport as well as multimodal and sector-specific solutions, together with individualised industrial projects. Our business model is based upon brokering transport services between customers and freight carriers. The global presence of our network allows us to offer efficient routing and multimodal transport. Compared with the other divisions, our operating business model is asset-light.

Leading the air freight market

According to the International Air Transport Association (IATA), total freight tonne kilometres flown decreased by 4% worldwide in the year under review. The biggest declines were seen in the USA and China, the world's largest air freight markets. We remained the market leader in 2018 with around 2.2 million tonnes of export air freight transported, as shown in the following graphic.

Air freight market, 2018: top 5

Thousands of tonnes[1]

DHL	**2,150**
Kuehne + Nagel	**1,743**
DB Schenker	**1,304**
Panalpina[2]	**1,039**
DSV	**689**

[1] Data based solely upon export freight tonnes.
[2] Was taken over by DSV in 2019.
Source: annual reports, publications and company estimates.

Ocean freight market continues to consolidate

The ocean freight market continued to see slight growth in 2019 with consolidation continuing on the carrier side. Overcapacity persisted in the container ship market – a trend that is expected to be sustained in the coming years. With around 3.2 million twenty-foot equivalent units transported, we remained the second-largest provider of ocean freight services in 2018, as shown in the following table.

Ocean freight market, 2018: top 5

Thousands of TEUs[1]

Kuehne + Nagel	**4,690**
DHL	**3,225**
DB Schenker	**2,203**
Panalpina[2]	**1,484**
DSV	**1,442**

[1] Twenty-foot equivalent units.
[2] Was taken over by DSV in 2019.
Source: annual reports, publications and company estimates.

European road transport market posts moderate growth

In the European road transport market, growth slowed down in the second half of 2019, driven mainly by a declining growth in volume. In a fragmented and competitive environment, DHL Freight remained the second-largest provider in 2018 with a market share of 2.2%.

European road transport market, 2018: top 5

Market volume: €206 billion[1]

DB Schenker	**3.4%**
DHL	**2.2%**
DSV	**1.8%**
Dachser	**1.7%**
Kuehne + Nagel	**1.5%**

[1] Total market for 25 European countries, excluding bulk goods and specialties transports.
Source: DHL Market Intelligence Study 2019, based upon the company's calculations and content supplied by IHS Markit Group, copyright® IHS Global Inc, 2019. All rights reserved.

SUPPLY CHAIN DIVISION

Customer-centric contract logistics solutions

As the world leader in the contract logistic market, we manage supply chains to reduce complexity for our customer. This is our profitable core, which includes warehousing, transport as well as value-added services such as Lead Logistics Partner (LLP), Glossary, page 166, Real Estate Solutions, Service Logistics, packaging and e-fulfilment along strategic industry verticals. We also develop innovation and sustainable solutions.

Continuing to automate and digitalise the supply chain

In the interest of our customers, we ensure that our standard tools are seamlessly embedded into all of their processes. Flexible automation technologies, such as wearable devices and collaborative robotics, are being scaled across our operations to take us to the next level in efficiency. We are constantly striving to increase efficiency along the entire supply chain through standardisation and the use of new technologies. Whilst these efforts generally benefit all sectors, we see the largest demand in the retail and consumer sectors, which account for approximately half of the Supply Chain division's revenue. The automation technologies shown in the graphic on page 10 are being introduced in all regions in order to make us even more agile.

Leading position in contract logistics

The global contract logistics market is estimated at around €217 billion. DHL remains the global market leader in contract logistics with a market share of 6.1% (2018) and operations in more than 50 countries.

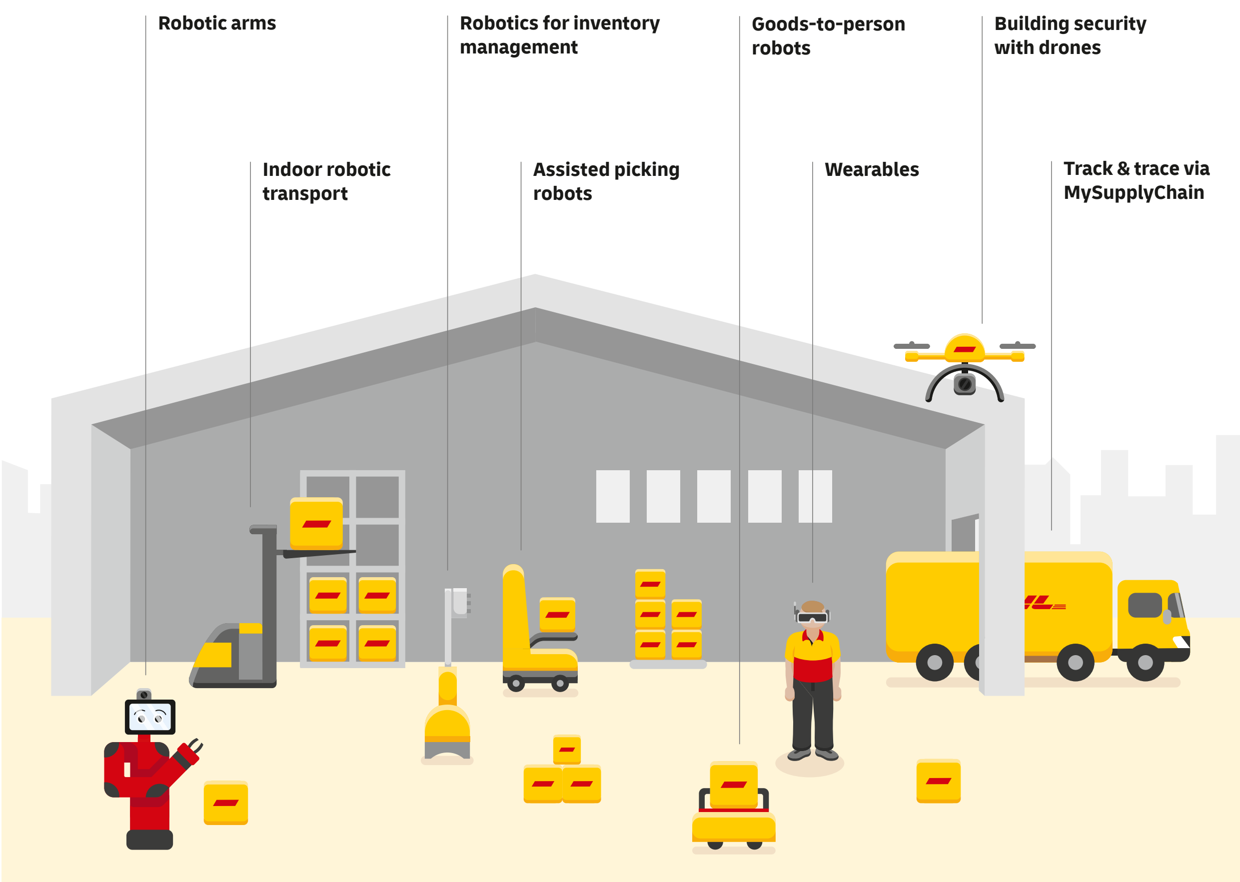
Contract logistics market, 2018: top 10

Market volume: €217.3 billion

DHL	6.1%
XPO Logistics	2.4%
Kuehne + Nagel	2.2%
Hitachi Transport System	1.6%
CEVA	1.5%
UPS SCS	1.3%
SNCF Geodis	1.2%
DB Schenker	1.2%
Ryder	0.9%
DSV	0.8%

Source: company estimates; Transport Intelligence. Market shares are on the basis of divisional revenue.

Automation and digitalisation of the supply chain

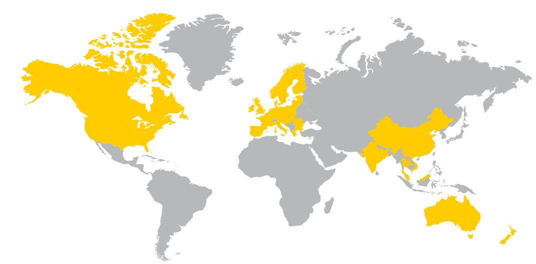


ECOMMERCE SOLUTIONS DIVISION

International delivery for the e-commerce sector
Since financial year 2019, we have been pooling our international parcel delivery operations in our new eCommerce Solutions division. The new division is geared towards providing high-quality solutions, particularly to customers in the rapidly growing e-commerce sector. Core activities include national last-mile parcel delivery in selected European and Asian countries and the United States. We also supply cross-border non-TDI services, especially to, from and within Europe.

The business is managed by the regions in which we operate.

eCommerce Solutions' regions and services



Americas	Nationwide B2C delivery in the United States and worldwide/cross-border shipping from the United States and Canada
Europe	Nationwide 2C and 2B delivery in seven countries and across Europe/cross-border services
Russia	Nationwide delivery by partners
India (Blue Dart)	Nationwide courier services and integrated express parcel distribution
Asia Pacific	Nationwide 2C delivery in Thailand, Malaysia, Vietnam (cross-border shipping from China, Australia, Singapore)

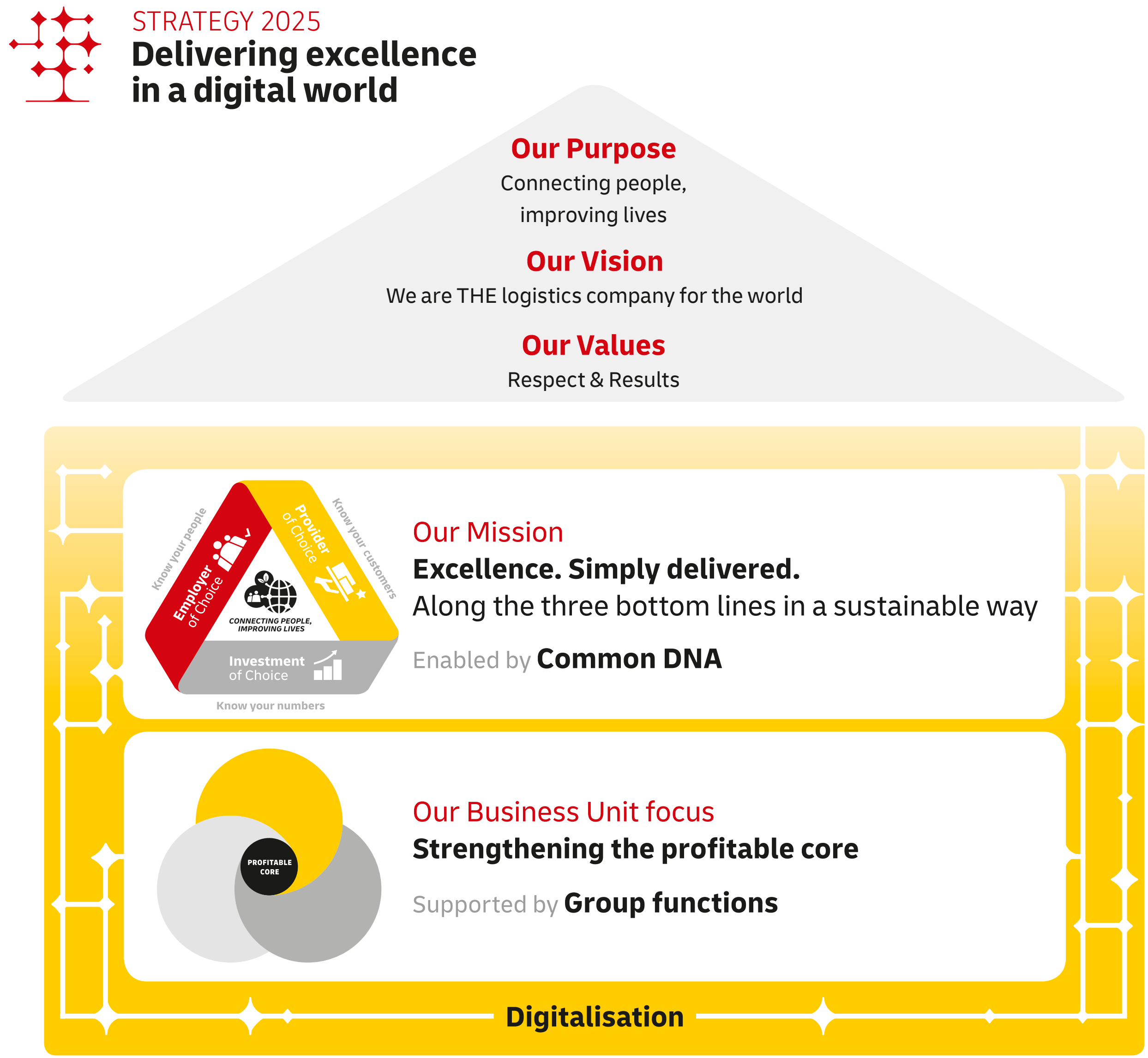
Strategy

CORPORATE STRATEGY

Strategy 2025 – Delivering excellence in a digital world
Our Strategy 2025 provides a foundation for continuing our profitable growth trajectory going forwards. The four trends of globalisation, e-commerce, digitalisation and sustainability will remain important drivers of growth for the logistics sector and are reflected in our corporate strategy.

Aiming for lasting industry leadership
Our purpose is to connect people and improve their lives by enabling trade and helping businesses to grow. In keeping with our vision to be THE logistics company for the world, Deutsche Post DHL Group strives to continue leading the industry in an increasingly digitalised world. Our core values of Respect and Results are just as much a part of our strategy today as they have been in the past.

Becoming the Employer, Provider and Investment of Choice
Our customer promise "Excellence. Simply delivered." is defined by our three bottom lines: becoming the Employer, Provider and Investment of Choice. We consider having motivated and skilled employees is the key to providing excellent service quality and achieving profitable growth. Our work benefits from our common DNA, which is a set of behaviours, tools and initiatives that we put into practice every day. In the interest of ensuring a common basis of understanding, we continually expand our Group-wide "Certified" initiative, including modules for executives. We use our annual Employee Opinion Survey to measure our progress, as described in Employees, page 55. Our regular customer satisfaction surveys allow us to measure our



performance against our quality aspiration and to identify areas for improvement; see Quality, page 58 f. In all of our business units, we focus upon delivering profitable long-term growth. Our First Choice methodology remains a key lever for triggering continuous improvement. Apart from the three bottom lines, we have firmly integrated sustainability and corporate responsibility into our strategy, as explained in our Sustainability Report, dpdhl.com/2019sustainabilityreport.

Strategically diversified logistics portfolio
Our divisions form the core of our Group. Since all of the five divisions have distinct profiles and service offerings, our Group strategy is structured along multi-divisional lines. We focus upon the specific growth drivers that will strengthen the profitable core of our business units, with the goal of achieving industry-leading margins in all segments.

Digitalisation as a key lever
We see systematic digitalisation throughout the Group as a key lever in driving forwards our business. That’s why we’re investing in initiatives designed to enhance both the customer experience and the employee experience as well as to improve operational excellence. We are modernising our IT systems and integrating new technologies with the aim of steadily improving our performance, our processes and our standards. Between now and 2025, spending on digitalisation is expected to reach around €2 billion. This is projected to contribute at least €1.5 billion annually to earnings by 2025.

STRATEGIES OF THE DIVISIONS

Post & Parcel Germany division
We connect the people in Germany by transporting, sorting and delivering their mail, whether letters, documents or merchandise. This also includes digital transmissions such as information on shipment status and digital messages.

Our customers rightly rely upon us to fulfil our customer promise: we are reliable, we adhere to scheduled delivery times and we make sure that the mail is not damaged or lost. Post & Parcel Germany makes it easy to send and receive mail. Our actions are environmentally, economically and socially sustainable, and we work to continuously improve ourselves.

Our highly qualified employees and high level of service quality help us to ensure a sustainable future for our Group as well as the future of letter and parcel delivery in Germany. With the “Certified” programme we create a common basis. We teach our employees how the company works, how we define and keep our customer promises and which skills make a manager successful.

Express division
We concentrate upon shipments whose size and weight make them an optimal match for our network, and in terms of our pricing policy, we encourage global co-ordination and discipline. At the same time, we continuously improve our customer approach. Using global campaigns, we specifically target small and medium-sized businesses, which can often benefit from increasing exports.

Our Certified International Specialist training programme ensures that our employees have the requisite knowledge of the international express business at their disposal, develop mutual understanding and remain permanently motivated.

Our return on sales improves when growing volumes lead to economies of scale in our network, innovation and automation enhance productivity, and costs are strictly managed. We are gradually streamlining the IT systems architecture and are ensuring adherence to global standards, especially as regards facilities and operating resources. The majority of our costs are attributable to our air and ground network. Old aeroplanes are replaced with newer, more efficient and thus more cost-effective aircraft. We sell available cargo space to freight and forwarding companies, improving our network utilisation and reducing costs in the process. On the ground, processes are automated and standardised.

Global Forwarding, Freight division
Our emphasis is upon customer orientation and industry-leading, end-to-end quality. In the Global Forwarding business unit, we are upgrading or replacing our IT systems to integrate industry-proven solutions. Our focus is upon improved shipment visibility, electronic document management and a new transport management system. In addition, we are working to develop myDHLi, a standardised customer portal, in order to occupy a leading position in the digital freight forwarding market and to create a state-of-the-art customer experience.

Our emphasis is on customer orientation and industry-leading, end-to-end quality.

We are constantly adding new modules to our Certified International Forwarder training programme. We are also honing our talent management processes to promote women in management positions, amongst other things.

In the Global Forwarding business unit, we want to keep improving our EBIT-to-gross-profit margin (conversion rate) to raise it to the level of our leading competitors over the medium term. To this end, we are increasing the profitability of contracts and aligning costs with business development.

In the Freight business unit, our new FREIGHT 2025 strategy is continuing the path we have taken up to now. To keep growing profitably, we continue to rely on employee engagement, customer focus and digitalisation. Key foundations remain our efficient network, high level of service quality, improvements in IT systems and data transparency, as well as sustainable logistics solutions. We are also developing forward-looking digital solutions such as Saloodo!, our online road freight platform.

Supply Chain division

To enhance our market-leading position, we have standardised our workflows and are steadily improving our operating performance. A key element in this is our Operations Management System First Choice along with the outstanding service and high quality that set us apart.

We use the full breadth of our capabilities to create value for our customers and thus establish a basis for long-lasting, growing customer relationships. Our customer experience management processes include structured feedback loops to let us know what our customers need and enable us to react more quickly to their expectations.

Our “Certified” programmes create motivated and engaged experts who collaborate as diverse teams and are helping to shape the future of logistics. Recruitment, development and employee retention are some of our main differentiators in the contract logistics market.

Our pioneering role in the complex contract logistics market is supported by our position as a leader in digital transformation and our broad use of innovative technologies. We are making collaborative robotics, data analytics and process automation a standard part of our operational workflows through our Accelerated Digitalization programme. Our aspiration is to make the digital supply chain a reality whilst expanding our line of sustainable solutions and entering into new partnerships. We believe that this will provide a basis for accelerated growth.

eCommerce Solutions division

Our goal is to leverage our Group footprint, resources and services to build a platform for cross-border, non-time-critical solutions that can be connected to the most cost-efficient networks for last-mile delivery. The focus in creating the platform is upon generating profitable growth across all sectors and customer segments. Our USPs are our high-quality parcel delivery solutions, our reach and our competitiveness.

The Parcel Connect product, which combines our services with those of other postal services and private-sector service providers, is experiencing strong growth. This volume growth allows us to invest further in expanding our network and continually improve our quality.

Our goals are best achieved when motivated and well-trained employees provide quality service that always fulfils our customers’ expectations. Our Certified programmes are tailored to local conditions in the markets in which we operate. Common values, enthusiasm and a clear focus upon quality are the foundation for all employees and executives. We have begun introducing the Certified programmes and will highly prioritise the roll-out in all countries in which we do business.

Management

FINANCIAL PERFORMANCE INDICATORS

Impact on management remuneration

Deutsche Post DHL Group uses both financial and non-financial performance indicators in its management of the Group. The monthly, quarterly and annual changes in these indicators are compared with the prior-year data and the forecast data to assist in making management decisions. The year-to-year changes in the financial and non-financial performance metrics portrayed here are also particularly relevant for calculating management remuneration. The Group's financial performance indicators are intended to preserve a balance between profitability, the efficient use of resources and adequate liquidity. The performance of these indicators in the year under review is described in the Report on economic position, page 34 ff.

Profit from operating activities: a measure of earnings power

The profitability of the Group's operating divisions is measured as profit from operating activities (EBIT). EBIT is calculated by on the basis of revenue and other operating income, deducting materials expense and staff costs, depreciation, amortisation and impairment losses, and other operating expenses, and then adding net income from equity-method investments. Interest and other finance costs / other financial income are shown in net financial income / net finance costs.

EBIT after asset charge promotes efficient use of resources

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 operating 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 asset charge with previous figures, in 2019 the WACC used here was maintained at a constant level compared with the previous years.

The asset charge calculation is performed each month so that fluctuations in the net asset base can also be taken into account during the year. The table "Calculations" shows the composition of the 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. OCF is calculated by adjusting EBIT for changes in non-current assets (depreciation, amortisation and (reversals of) impairment losses, net income / loss from disposals), other non-cash income and expense, dividends received, taxes paid, changes in provisions and other non-current assets and liabilities. 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) as a management-related performance indicator is calculated on the basis of OCF by adding / subtracting the cash flows from capital expenditure, leasing, acquisitions and divestitures as well as net interest paid. Free cash flow is regarded as an indicator of how much cash is available to the company at the end of a reporting period for paying out dividends or repaying debt.

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 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 (not including 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)**
- ± Changes in net working capital
- = **Net cash from/used in operating activities (operating cash flow, OCF)**
- ± Cash inflow/outflow arising from change in property, plant and equipment and intangible assets
- ± Cash inflow/outflow arising from acquisitions/divestitures
- − 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.

NON-FINANCIAL PERFORMANCE INDICATORS

Annual worldwide Employee Opinion Survey

Our annual worldwide Employee Opinion Survey, whose results from this reporting period are presented in Employees, page 55, shows us how we are perceived as a Group from the perspective of our employees and how they view the leadership abilities of their supervisors. The Active Leadership indicator was used in the calculation of executive bonuses in the reporting period, as in previous years. From 2020 onwards we want to focus upon employee engagement, and will use this total value for management purposes and include it in the bonus calculation for executives, Expected developments, page 63.

Reducing dependency upon fossil fuels

We aim to reduce our dependency on fossil fuels, improve our CO_2 efficiency and lower costs. We therefore use “greenhouse gas efficiency” as a target in our GoGreen environmental protection programme. Greenhouse gas efficiency is measured using a carbon efficiency index (CEX) based upon business unit-specific emission intensity figures, which are indexed to a base year. We quantify the greenhouse gas emissions upon which our CEX is based in accordance with the Greenhouse Gas Protocol Standards and DIN EN 16258; those attributable to our European air freight business are calculated in accordance with the requirements of the European Union Emissions Trading System (EU ETS). Pursuant to DIN EN 16258, all gases that are harmful to the environment must be disclosed in the form of CO_2 equivalents (CO_2e). CO_2e reflects the ratio of the respective emissions to a matching indicator of Group performance. CEX is used as a management indicator to quantify the Group’s non-financial performance. The figures obtained for the year under review are provided in the section Sustainability, page 57.

Disclosures required by takeover law

Disclosures required under sections 289a (1) and 315a (1) of the *Handelsgesetzbuch* (HGB – German commercial code) and explanatory report.

Composition of issued capital, voting rights and transfer of shares

As at 31 December 2019, the company’s share capital totalled €1,236,506,759 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). No individual shareholder or group of shareholders is entitled to special rights, particularly rights granting powers of control.

The exercise of voting rights and the transfer of shares are based upon statutory provisions and the company’s Articles of Association, which place no restrictions on the exercise of voting rights or transfer of shares.

Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, is our largest shareholder, holding 20.53% 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 of the *Aktiengesetz* (AktG – German stock corporation act) and section 31 of the *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 of the AktG, amendments to the Articles of Association are adopted by resolution of the AGM. In accordance with article 21 (2) of the Articles of Association in conjunction with sections 179 (2) and 133 (1) of the AktG, such amendments generally require a simple majority of the votes cast and a simple majority of the share capital represented on the date of the resolution. In such instances where the law requires a greater majority for amendments to the Articles of Association, that majority is decisive.

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

The Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 160,000,000 new, no-par value registered shares (Authorised Capital). Details may be found in article 5 (2) of the Articles of Association. The Articles of Association may be viewed on the company’s website, dpdhl.com/en/investors, or 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 27 May 2014 (agenda item 8), 28 April 2017 (agenda item 7) and 24 April 2018 (agenda items 6 and 7) to issue pre-emptive rights/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 pre-emptive rights/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 2019, the pre-emptive rights/PSUs already issued conferred rights to up to 30,633,575 Deutsche Post AG shares, assuming the conditions are met. Under the authorisations granted, up to 38,133,756 additional pre-emptive rights/PSUs may be issued.

The AGM of 28 April 2017 authorised the company to buy back shares on or before 27 April 2022 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 28 April 2017 (agenda item 8). In addition, the AGM of 28 April 2017 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). Based upon that authorisation resolution, the company repurchased 384,421 shares in the financial year. As at 31 December 2019, the company held 983,694 treasury shares.

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 line 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.

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). If the right to early termination is exercised or a Board of Management contract is terminated by mutual consent within nine months of the change of control, the Board of Management member is entitled to payment to compensate the remaining term of their Board of Management contract. Such payment must be capped pursuant to the recommendation in No. 4.2.3 of the German Corporate Governance Code as amended on 7 February 2017, subject to the specifications outlined in the remuneration report. 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 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.

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.

Remuneration Report

The remuneration report describes the principles of the remuneration systems for the members of the Board of Management and the Supervisory Board and provides information about the remuneration granted to, and paid to, the members of the Board of Management and the Supervisory Board in financial year 2019. It has been prepared in accordance with the recommendations of the German Corporate Governance Code (the Code) and the requirements of the *Handelsgesetzbuch* (HGB – German Commercial Code), the German Accounting Standards and the International Financial Reporting Standards (IFRSs).

BOARD OF MANAGEMENT REMUNERATION

Principles of the remuneration system for the Board of Management

The remuneration system for the Board of Management is aligned with the company's strategy and is geared towards performance-based, sustainable, long-term corporate governance. It serves as a core management tool for linking the interests of the Board of Management's members with those of the company and the shareholders, and provides important incentives for implementing the company's strategy.

The company defines a combination of strategic targets and key operating performance indicators at company and division level that takes into account our three bottom lines – becoming the Employer, Provider and Investment of Choice – as well as sustainability and corporate responsibility, values we have firmly integrated into our strategy. They are also used to calculate the variable components of the Board of Management's remuneration.

The Supervisory Board regularly examines the appropriateness of this remuneration. The criteria for this review are the responsibilities, performance and experience of each individual Board of Management member as well as the company's economic situation, performance and future prospects, and the customary level of remuneration, taking into consideration the peer group and the overall remuneration structure in the company. In this process, the Supervisory Board also considers the relation of the Board of Management remuneration to the remuneration of the senior management level and the workforce overall, including its development over time. The companies included in the DAX constitute the peer group used to determine whether the remuneration is in line with market practice. In evaluating the appropriateness of remuneration, the Supervisory Board is assisted by an independent external remuneration expert. The current remuneration system was approved at the 2018 Annual General Meeting with 88.56% of the votes cast.

Overview of the remuneration system

The Board of Management's remuneration primarily comprises the following components:

Overview of the remuneration components

Remuneration component	Summary	Purpose and connection to strategy
Base salary	▪ Fixed, contractually agreed remuneration paid monthly	▪ Attracts and retains Board of Management members who can develop and successfully implement the strategy based upon their experience and expertise ▪ Secures an appropriate, non-variable income to ensure that no undue risks are taken
Fringe benefits	▪ Mainly the use of a company car and services of a driver, allowances for health and long-term care insurance	
Pension commitments	▪ Contribution-based pension commitment ▪ Annual amount of 35% of the base salary ▪ Variable interest on the pension contribution account, minimum annual rate of 2.25%	▪ Guarantees pension commitment in line with market practice to provide protection for retirement and in case of death and inability to work

Annual bonus with medium-term component (deferral)	▪ As a rule, 75% financial and 25% non-financial performance targets
	▪ Maximum amount (cap): 100% of respective base salary
	▪ Target amount: 80% of respective base salary
	▪ Payout:
	  ▪ 50% in following year (short-term component)
	  ▪ 50% after another two years (sustainability phase) and only if an additional criterion is met (medium-term component)
		▪ Provides incentive for Board of Management members to concentrate on successfully carrying out annual business priorities
		▪ Deferred component subject to an additional performance criterion reinforces the focus of Board of Management remuneration upon the company's long-term performance and also aligns annual business priorities with the company's long-term development

Long-term component	▪ Granting of stock appreciation rights
	▪ Personal investment in the amount of 10% of the base salary required
	▪ Performance targets based upon share price:
	  ▪ Absolute increase in share price
	  ▪ Relative performance as against the STOXX Europe 600
	▪ Maximum amount (cap): 4x grant amount (2.5x grant amount for the chairman of the Board of Management)
	▪ Exercisability: according to achievement of performance targets after four years
	▪ Payout: in the fifth or sixth year after granting, depending on the respective exercise date
		▪ Provides incentive for the Board of Management to achieve a sustained increase in enterprise value
		▪ Links the performance of Board of Management remuneration directly to share price performance and therefore to investor interests

Maximum amount (cap) total remuneration	▪ Cap on remuneration granted and from 2022 cap on remuneration paid (plus fringe benefits) ▪ Chairman: €8 million ▪ Regular Board of Management member: €5 million	▪ Additional limit on Board of Management remuneration

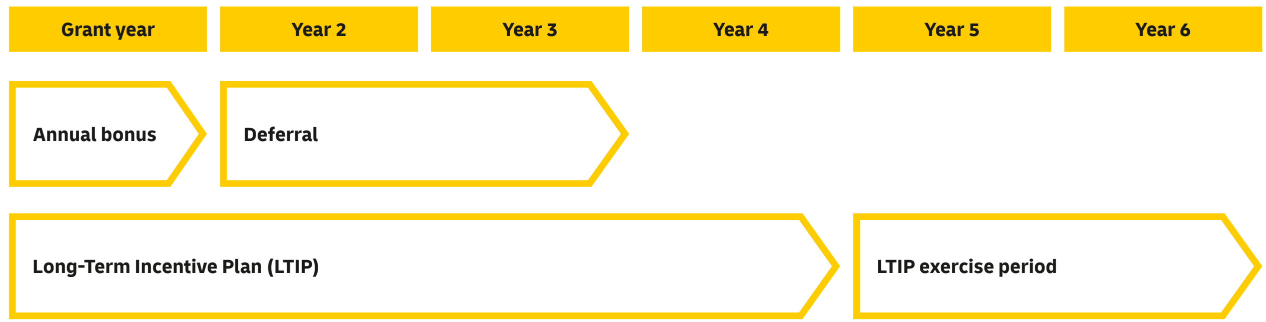
Remuneration components and total target remuneration

The remuneration of the Board of Management members mostly comprises variable, performance-based components whose amount is based upon the performance of individual Board of Management members and the company's performance. The Supervisory Board assigns targets to all performance criteria for variable remuneration prior to each financial year; the degree of target achievement is then used to determine the amount actually paid out.

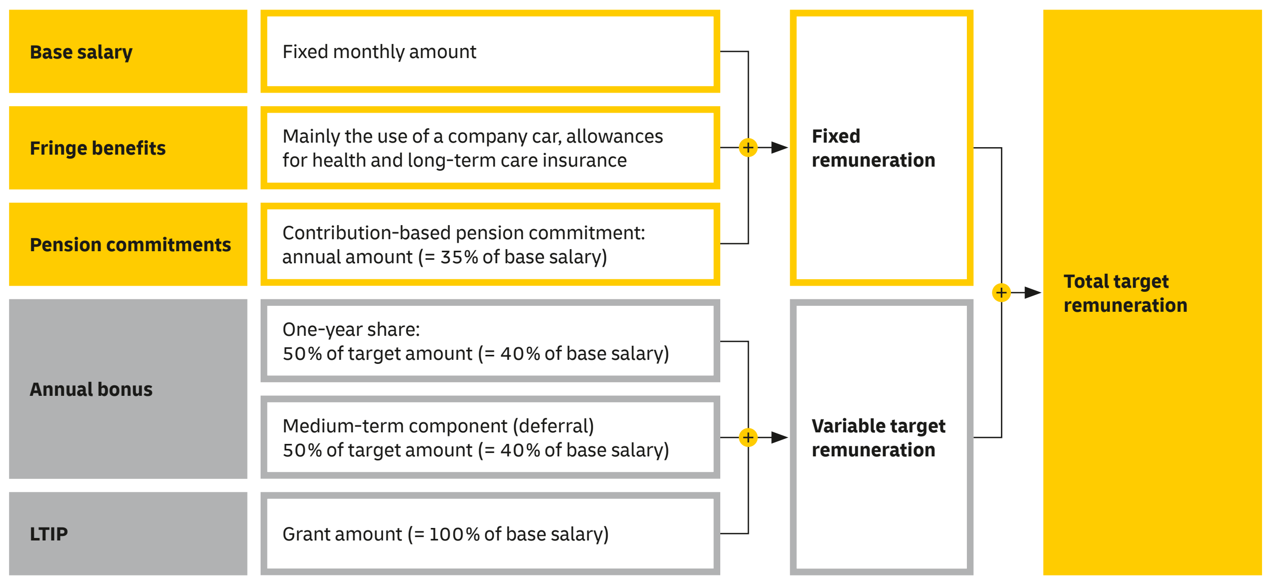
In determining the targets, as well as their lower and upper thresholds, the Supervisory Board ensures that these are appropriate and ambitious. If performance falls below the lower thresholds, the variable remuneration is reduced to zero. The variable remuneration is capped if the upper thresholds are exceeded. This approach provides for a balanced risk/opportunity profile in the remuneration system.

The sum of the fixed remuneration components, the target amount for the annual bonus (including deferral) and the SAR grant amount equals the total target remuneration:

Terms of variable remuneration in target remuneration



Total target remuneration



Structure of the total target remuneration

In accordance with the Code's recommendation, the Supervisory Board takes care to set up a multi-year structure when determining variable remuneration, i.e., one where the medium and long-term variable remuneration components exceed the short-term components. This supports the long-term development of the company. At the same time, the short-term variable remuneration ensures a sufficient focus upon the annual operating targets whose achievement lays the foundation for future performance. The following is an example of the structure of the total target remuneration of Board of Management members, assuming a base salary of €930,000:

Total target remuneration structure (example)

		€2,982,000
Long-Term Incentive Plan	31%	€930,000
Medium-term component (deferral)	12.5%	€372,000
Annual bonus	12.5%	€372,000
Fixed remuneration[1]	44%	€1,308,000

[1] The fixed remuneration consists of a base salary, pension contribution and fringe benefits; fringe benefits are calculated based upon the average amount in 2019.

Maximum total remuneration

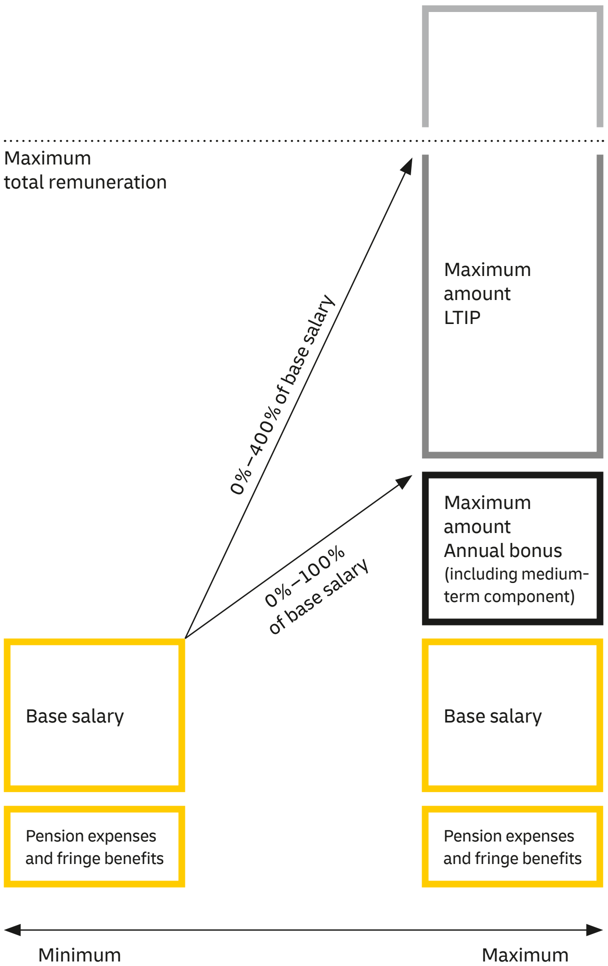
In addition to the maximum amounts for individual remuneration components, the total payout amount is limited by an overall cap. Firstly, the cap limits the payout amount from remuneration granted in one year (cap on remuneration granted). Secondly, from financial year 2022 onwards, the cap will also apply to the remuneration paid in one year (cap on remuneration paid). These caps amount to €5 million for each regular member of the Board of Management and €8 million for the Board of Management chairman (excluding fringe benefits in each case).

Example illustration of the included remuneration components

Overall cap on remuneration granted: Example 2019	Overall cap on remuneration paid: Example 2022
Remuneration components included	**Remuneration components included**
▪ Long-Term Incentive Plan 2019 tranche ▪ Deferral from 2019 annual bonus ▪ Proportion of 2019 annual bonus for immediate payout ▪ 2019 base salary ▪ 2019 pension expense (service cost)	▪ Long-Term Incentive Plan 2016/2017/2018 tranches[1] ▪ Deferral from 2020 annual bonus ▪ Proportion of 2022 annual bonus for immediate payout ▪ 2022 base salary ▪ 2022 pension expense (service cost)

[1] The time the tranches are paid depends on when they are exercised within the two-year exercise period.

Total remuneration range for a regular Board of Management member



In the case of a 100% SAR allocation. For the Chairman of the Board of Management, the maximum amount from the LTIP is 250% of base salary.

DETAILED INFORMATION ON REMUNERATION COMPONENTS

1. Fixed remuneration components

BASE SALARY

The base salary is paid in equal monthly instalments. Its purpose is to ensure an adequate, non-variable income and to prevent Board of Management members from taking undue risks.

FRINGE BENEFITS

The company grants Board of Management members fringe benefits that are duly taxed as non-cash benefits. They comprise mainly the use of a company car, subsidies for health and long-term care insurance in accordance with social security provisions, and benefits for assignments outside the members' home country.

PENSION COMMITMENTS

The members of the Board of Management have been granted contribution-based pension commitments. There is still a legacy final-salary-based direct pension commitment for the chairman of the Board of Management.

Under the contribution-based pension plan, the company credits an annual amount of 35% of the base salary to a virtual pension account for each Board of Management member. The maximum contribution period is 15 years. The pension capital accrues interest at an annual rate equal to the "iBoxx Corporates AA 10+ Annual Yield" rate, or at an annual rate of 2.25% at minimum, and will continue to do so until the pension benefits fall due. The pension benefits are paid out in a lump sum in the amount of the value accumulated in the pension account. The benefits fall due no earlier than when the Board of Management member reaches the age of 62 or in the case of invalidity whilst in office or death. In the event of benefits falling due, the pension beneficiary may opt to receive an annuity payment in lieu of a lump-sum payment.

When he was first appointed, the chairman of the Board of Management was granted a final-salary-based direct pension commitment then customary in the company, which provides for benefits in the case of permanent invalidity, death or retirement. His pension commitment provides for retirement benefits to be granted at the earliest from the age of 55. He has not availed himself of this provision. His pension is geared towards annuity payments. He also has the option of choosing a lump sum instead. The benefit amount depends on the pensionable income and the pension level derived from the years of service. Pensionable income consists of the base salary computed on the basis of the average salary over the last twelve calendar months of employment. The chairman of the Board of Management attained the maximum pension level (50% of his final salary) after ten years of service. Subsequent retirement benefits increase or decrease to reflect changes in the consumer price index in Germany.

2. Variable remuneration components

By applying selected strategic performance criteria and ambitious operating targets, the variable remuneration of Board of Management members provides suitable incentives for managing the company in line with the corporate strategy and in the interests of the shareholders and other stakeholders. The annual bonus focuses upon the company's operating targets, thereby laying the foundation for future performance. Whilst the medium-term component ensures stabilisation of the operating targets, the LTIP aims to achieve a sustained increase in enterprise value and therefore to link the interests of the Board of Management and of shareholders.

ANNUAL BONUS INCLUDING MEDIUM-TERM COMPONENT (DEFERRAL)

The performance criteria used to measure the performance of Board of Management members for the annual bonus usually comprise 75% financial and 25% non-financial targets. Individual targets are also defined to reflect the performance of individual Board of Management members in their remuneration in addition to the collective performance of the Board of Management as a whole. Each performance criterion is geared towards ensuring that the business targets of the Group and its divisions are met and align with the strategic bottom lines. Details on the measurement criteria applied and their weighting are provided in "Performance criteria" table on page 24.

The actual annual bonus amount may not exceed 100% of the base salary. The target amount has been set at 80% of the base salary. 50% of the variable remuneration determined on the basis of target achievement is paid out following the end of the financial year (short-term component). The remaining 50% is transferred to the medium-term component (deferral). The medium-term component is not paid out until expiration of a two-year sustainability phase and is subject to the additional condition that EBIT after asset charge (EAC) – an indicator of sustainability – is reached during this period. Exceeding this sustainability criterion does not increase the deferred amount. If the criterion is not met, the deferred amount is not paid out and simply expires without replacement.

LONG-TERM COMPONENT (LONG-TERM INCENTIVE PLAN, LTIP)

Since financial year 2006, the company has granted members of the Board of Management a long-term cash remuneration component linked to the company's share price performance through the issue of stock appreciation rights (SARs). With a term of six years, the LTIP provides an incentive for focussing upon the company's long-term performance. 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 of the company.

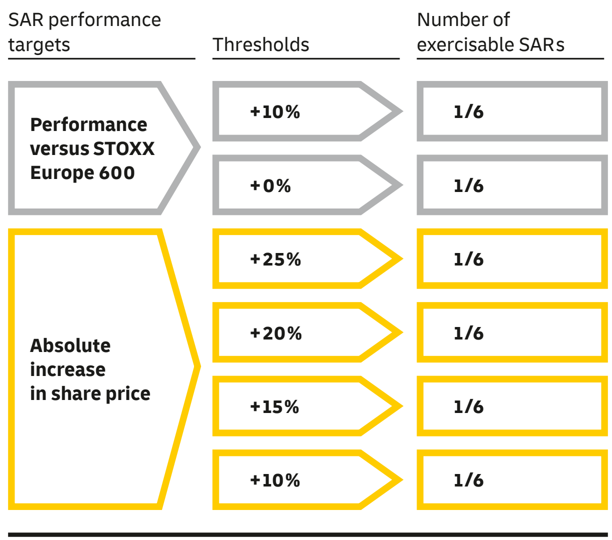
A certain number of SARs with a four-year lock-up period are granted at the start of the term. Starting with the 2020 tranche, their value is 100% of the base salary. The Board of Management members receive remuneration from the granted SARs no earlier than upon expiry of this lock-up period. First, a determination is made as to whether the pre-defined performance targets were met. The performance targets are based upon the share price performance in accordance with our strategic bottom line of being the Investment of Choice.

Four sixths of the granted SARs are earned if the final closing price of Deutsche Post shares at the end of the lock-up period exceeds the issue price by at least 10%, 15%, 20% or 25% (absolute share price targets). This approach emphasises the importance of the company's long-term development and value growth, and gears the Board of Management's remuneration firmly towards the interests of shareholders.

A further two sixths of the SARs granted are linked to the performance of Deutsche Post shares in relation to the performance of the STOXX Europe 600 Index. They are earned if the share price equals the index performance or if it outperforms the index by more than 10% (relative share price targets). This highlights the performance of the company compared to that of the market.

SARs can be exercised once or several times within an exercise period of two years after expiration of the lock-up period in compliance with insider trading regulations; SARs not exercised during this period expire.

Mechanism of stock appreciation rights



Each SAR entitles the Board of Management member to receive a cash settlement during the two-year exercise period equal to the difference between the average closing price of Deutsche Post shares for the five trading days preceding the exercise date and the issue price at the start of the four-year lock-up period. The Board of Management member therefore only receives payment if the share price exceeds the issue price of the SARs. In this way, the LTIP creates an incentive for a period of up to six years to boost the price of Deutsche Post shares. The payout from the SARs is limited to a maximum of four times the grant amount (two-and-a-half times for the Board of Management chairman). Moreover, the Supervisory Board can limit the remuneration from the LTIP in the event of extraordinary circumstances.

Non-exercisable SARs expire without replacement. However, SARs already earned can be exercised up to the end of the respective exercise period if a Board of Management member steps down at the instigation of the company prior to expiration of the agreed service period, or if the employment relationship ends after expiration of the agreed service period without the company offering to renew the member's contract. The same applies in case of retirement or early retirement.

3. Other contractual provisions

CONTRACT TERM

The contract term for Board of Management members generally runs for three years for initial appointments and five years for re-appointments.

EARLY CONTRACT TERMINATION AND CHANGE OF CONTROL

In accordance with the recommendation of the Code as amended 7 February 2017, Board of Management contracts contain a provision stipulating that, in the event of early termination of a Board of Management member's contract, the severance payment may compensate no more than the remaining term of the contract. The severance payment is limited to a maximum amount of two years' remuneration including fringe benefits (severance payment cap). The severance payment cap is calculated exclusive of the value of any rights allocated, or exercised, from LTIPs.

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

The contractual provisions stipulate that a change in control exists if a shareholder has acquired control within the meaning of section 29 (2) of the *Wertpapiererwerbs- und*

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

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

If the right to early termination is exercised to terminate a Board of Management contract, the Board of Management member can exercise the SARs already granted after expiration of the four-year lock-up period and until the end of the respective exercise period, provided the exercise conditions set out in the applicable plan terms have been met. After termination of the Board of Management contract, the member is no longer entitled to claim granting of any additional SARs. In the event that the company is delisted after a takeover, the company will reach a suitable agreement with the Board of Management members.

NON-COMPETE CLAUSE

Board of Management members are also subject to a non-compete clause. During the one-year non-compete period, former Board of Management members receive 100% of their last contractually stipulated base salary on a pro-rata basis as compensation each month. Any other income earned during the non-compete period is subtracted from the compensation paid. The amount of the compensation payment is deducted from any pension payments. If a Board of Management member receives a severance payment for remuneration claims, no additional compensation payment for the non-compete clause is paid for this period. Prior to, or concurrent with, cessation of the Board of Management contract, the company may declare its waiver of adherence to the non-compete clause. In such a case, the company will be released from the obligation to pay compensation due to a restraint on competition six months after receipt of such declaration.

CONTINUED PAYMENT OF REMUNERATION

If a Board of Management member is temporarily unable to work due to illness, accident or another reason for which the member is not responsible, remuneration will continue to be paid for a period of twelve months, but no longer than the end of the Board of Management contract. In the case of permanent disability of a Board of Management member during the term of the Board of Management contract, the contract will expire at the end of the quarter in which the permanent disability was determined.

If the Board of Management contract ends on account of death or permanent disability, the base salary and maximum annual bonus, prorated in each case, will continue to be paid for a period of six months following the end of the month in which the Board of Management contract ends, but no longer than the scheduled expiration date of the contract. If the contract ends due to the death of the Board of Management member, the payment is made to the deceased's beneficiaries as joint and several creditors.

CLAWBACK

According to the new Code recommendation G.11, variable remuneration can be withheld or reclaimed (clawback) in justified cases. The company complies with the recommendation because the medium and long-term components of variable remuneration can both be withheld.

50% of the annual bonus resulting from target achievement is transferred into the medium-term component and is subject to a two-year sustainability phase (deferral). This medium-term component, even if earned, is clawed back and expires without replacement if EAC, the sustainability criterion, is not met during the sustainability phase.

The SARs granted are clawed back and expire without replacement, if and to the extent that, the absolute or relative performance targets are not met during the four-year lock-up period. Moreover, SARs are granted on the condition that the Supervisory Board may limit the payment amount in the event of extraordinary developments.

The statutory clawback rules are applied additionally within the statutory limitation periods.

SHARE OWNERSHIP

The targets for the LTIP are share-based, which ensures that the remuneration of the Board of Management is strongly and directly linked to, and aligned with, the interests of our shareholders. Per SAR tranche, a Board of Management member can receive at most two-and-a-half times (chairman of the Board of Management) or four times (regular Board of Management member) the allocated amount from each individual tranche, provided the overall cap is not met first. Even considering a one-year horizon, this provides an incentive for focussing upon share price that far exceeds one annual base salary. This effect is multiplied over several years. Moreover, participation in the LTIP requires Board of Management members to make a personal investment of 10% of their annual base salary per tranche, primarily in shares of the company. Agreeing more extensive share ownership guidelines therefore does not appear necessary.

OTHER

Members of the Board of Management do not receive any loans from the company.

Remuneration of the Group Board of Management in financial year 2019

1. Base salary

The base salary of regular Board of Management members generally amounts to €715,000 in the first contract year, €860,000 from the third contract year and €930,000 from the fourth contract year. After that, it is reviewed after another three years have passed or when the contract is renewed. The “Remuneration granted in accordance with the German Corporate Governance Code” table on page 27 ff. contains a breakdown of the individual Board of Management members’ base salaries.

2. Target achievement for the annual bonus, including deferral

The performance criteria used to calculate the amount of the annual bonus and their weighting were the same as in the previous year. The performance criteria outlined below were used:

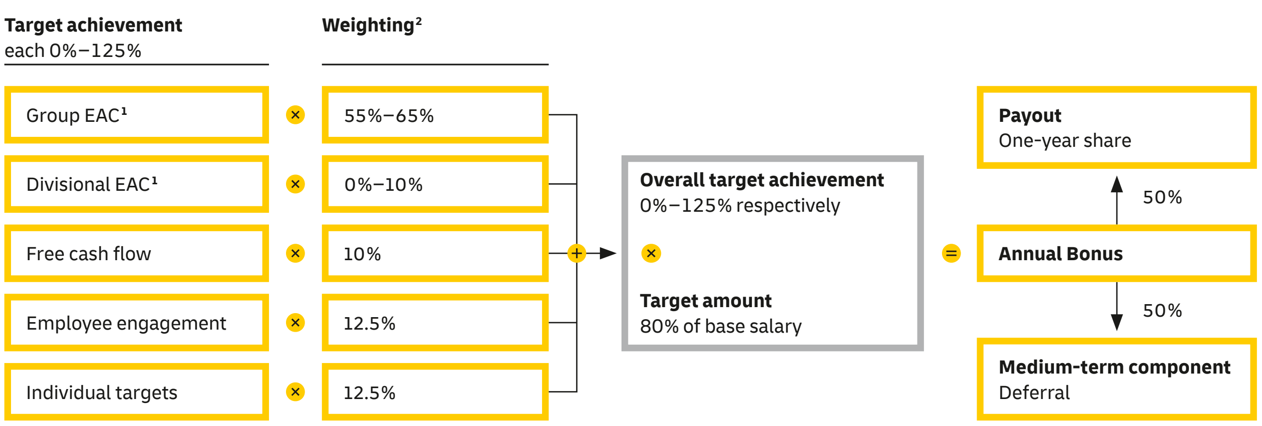
Performance criteria

Performance criterion	Weighting	Incentive effect / Strategy connection
Group EAC[1]	55%/65%	▪ Key performance indicator for the company ▪ Adds a cost of capital component to the calculation of EBIT to encourage the efficient use of resources and ensures that the operating business is geared towards increasing value sustainably whilst generating increasing cash flow
Divisional EAC[1]	0%/10%	▪ Measurement of individual performance in the respective Board department ▪ Incentive for market-leading performance in every division
Free cash flow	10%	▪ Key performance indicator for the company ▪ Measure of how much cash the company generates, taking into account payment commitments arising from the Group’s operations as well as capital expenditure and lease and interest payments ▪ Indicator of how much cash is available to the company for paying dividends, for repaying debt or for other purposes (e.g., funding pension obligations)
Employee engagement	12.5%	▪ Becoming employer of choice ▪ Quantifies the identification of employees with the company and their motivation to contribute to the company’s success ▪ Compared with external benchmarks, identifies strengths and indicates action areas
Individual targets, based upon the Group’s strategy[2]	12.5%	▪ Opportunity to determine annual focus areas in operations depending upon current priorities and the degree of implementation of our strategy ▪ E.g., implementation of the digital transformation initiatives necessary for sustained business success, implementation of measures for increasing customer satisfaction

[1] EBIT after asset charge (EAC) including asset charge on goodwill and before goodwill impairment. [2] Since Ken Allen assumed responsibility for a new division in 2019, no individual target was agreed. His divisional EAC target was increased accordingly on a percentage basis.

The formula used to calculate the amount of the annual bonus was as follows:

Annual bonus calculation



[1] Including asset charge on goodwill and before goodwill impairment. [2] Ken Allen: weighting of divisional EAC at 22.5%, individual targets at 0%.

Target achievement, annual bonus achievement, 2019

Performance criterion	Target in € million	Actual in € million	Degree of target achievement in %	Degree of target achievement in % of maximum amount
Group EAC[1]	**1,762**	**1,513**	**82.35**	**65.88**
Divisional EAC[1]				
Post & Parcel Germany	723	684	91.59	73.28
Global Forwarding, Freight	17	–3	91.48	73.18
Express	1,103	1,038	85.99	68.79
Supply Chain	419	451	125.00	100.00
eCommerce Solutions	–171	–146	125.00	100.00
Free cash flow	**733**	**867**	**125.00**	**100.00**

[1] Including asset charge on goodwill and before goodwill impairment.

In measuring the degree of target achievement, three thresholds were agreed upon with each Board of Management member to calculate the amount of their individual annual bonus: there is no payout until the lowest threshold is reached; when this happens, 50% of the maximum amount for this target is paid. When the performance target is achieved, 80% is paid, and when the upper threshold is reached, 100% of the maximum amount is paid. For each target, the maximum amount possible is equal to the weighting applied to one base salary (for example, for the free cash flow performance criterion, the maximum payout is 10% of one base salary).

The performance targets for the Group EAC and Group free cash flow correspond to the budgeted figures for the financial year. The degree of individual target achievement was between 62.5% and 125%. 112.50% of the employee target was achieved. Based upon these target achievement percentages, the average annual bonus (including deferral) was 75.71% of one base salary. The annual bonus amount paid out to each individual Board of Management member is shown in the "Remuneration paid in accordance with the German Corporate Governance Code" table.

The condition for payout of the share of the annual bonus deferred in 2017 was that the EAC at the end of the sustainability phase exceeds the EAC in the base year, or that the EAC was positive overall during the sustainability phase, i.e., that at least the asset charge (including asset charge on goodwill) was earned. The latter was the case during the sustainability phase. The individual payouts are outlined in the "Remuneration paid in accordance with the German Corporate Governance Code" table.

3. SAR target achievement

The waiting period for the 2015 SAR tranche granted four years previously ended on 31 August 2019. The absolute performance of Deutsche Post shares was 11.70%, which represented achievement of one of four absolute share price targets. The share's performance relative to the STOXX Europe 600 was 11.07%. Both relative share price targets were therefore met. In total, three of six share price targets were met, making half of the SARs granted in financial year 2015 exercisable. The Board of Management members can exercise these SARs until 31 August 2021.

On 1 September 2019, the members of the Board of Management were again granted SARs as the 2019 tranche. The Supervisory Board agreed upon strategic targets with the members of the Board of Management for a period of twelve months prior to the grant date to determine the grant value. The relevant target categories were the performance of the share price compared with that of the company's competitors, strategic individual targets and a digital transformation target for each member. The target categories each carry a weighting of a third. For the share price performance compared with the company's competitors, peer groups of two to three companies are selected for the operating divisions of the Group. Additional implementation steps for the divisional strategy were agreed as part of the digital transformation. The focus of the other individual targets was upon customers and employees, in particular.

The Board of Management members were granted SARs in the 2019 tranche that, on average, amounted to 139% of their base salary on the grant date. From the 2020 tranche onwards, SARs will be uniformly granted to all Board of Management members only in the amount of 100% of each individual base salary on the grant date.

Target achievement for the targets applicable for granting SARs in 2019 was as follows:

SAR target achievement

	Weighting	Target achievement %	SAR allocation 2019 tranche
Share price performance compared with the company's competitors	1/3	127	711,294
Strategic individual targets	1/3	120–150	818,601
Digital transformation targets	1/3	130–150	793,083
			2,322,978

Long-Term Incentive Plan: number of SARs granted

Quantity

	SARs 2018 tranche	SARs 2019 tranche
Frank Appel, Chairman	329,538	656,568
Ken Allen	196,596	336,210
Oscar de Bok (since 1 October 2019)	–	–
John Gilbert (until 30 September 2019)	216,384[1]	–
Melanie Kreis	185,070	310,878
Tobias Meyer (since 1 April 2019)	–	239,010
Thomas Ogilvie	127,044	253,824
John Pearson (since 1 January 2019)	–	239,010
Tim Scharwath	137,208	287,478

[1] Forfeited on departure.

The index started out at 371.81 points. The issue price was €28.88. Payments from the 2019 tranche will be made no earlier than 1 September 2023, assuming that the share price targets are met at least in part. If no target is met, the SARs expire without replacement, which means that they will never give rise to any payments. The value of the SARs granted to each Board of Management member in financial year 2019 is presented in the "Remuneration granted in accordance with the German Corporate Governance Code" table on page 27 ff. See the "Long-Term Incentive Plan: number of SARs granted" table for the number of SARs granted.

4. Remuneration amount

Based upon the aforementioned determinations by the Supervisory Board, the remuneration paid to members of the Board of Management in financial year 2019 in accordance with the applicable accounting standards totalled €13.62 million (previous year: €11.37 million). That amount comprised €8.15 million in non-performance-related components (previous year: €8.12 million) and €5.47 million in paid-out annual bonuses (including the deferral from 2017) as performance-related components (previous year: €3.25 million). An additional €2.88 million (previous year: €0.58 million) of the annual bonus was transferred to the medium-term component (deferral) and will be paid out in 2022 subject to the condition that the required EAC, an indicator of sustainability, is reached.

In financial year 2019, the Board of Management members were granted a total of 2,322,978 SARs, which at the issue date were valued at €9.90 million (previous year: €5.43 million).

The total remuneration paid to Board of Management members is presented in the tables below. In addition to the applicable accounting principles, the Code recommendations were also taken into account.

Remuneration granted in accordance with the German Corporate Governance Code

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	Frank Appel Chairman				Ken Allen eCommerce Solutions			
	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
Base salary	2,060,684	2,060,684	2,060,684	2,060,684	1,005,795	1,005,795	1,005,795	1,005,795
Fringe benefits	52,889	50,933	50,933	50,933	102,716	100,672	100,672	100,672
Total	**2,113,573**	**2,111,617**	**2,111,617**	**2,111,617**	**1,108,511**	**1,106,467**	**1,106,467**	**1,106,467**
Annual bonus: one-year share	824,274	824,274	0	1,030,342	402,318	402,318	0	502,898
Multi-year variable remuneration	2,369,807	3,621,254	0	8,022,759	1,324,353	1,834,573	0	6,231,906
LTIP with four-year waiting period	1,545,533	2,796,980	0	6,992,417	922,035	1,432,255	0	5,729,008
Annual bonus: deferral with three-year waiting period	824,274	824,274	0	1,030,342	402,318	402,318	0	502,898
Total	**5,307,654**	**6,557,145**	**2,111,617**	**11,164,718**	**2,835,182**	**3,343,358**	**1,106,467**	**7,841,271**
Pension expense (service cost)	1,121,934	1,093,499	1,093,499	1,093,499	345,640	348,733	348,733	348,733
Total remuneration	**6,429,588**	**7,650,644**	**3,205,116**	**12,258,217**	**3,180,822**	**3,692,091**	**1,455,200**	**8,190,004**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2019				**8,000,000**				**5,000,000**

	Oscar de Bok Supply Chain (since 1 October 2019)				John Gilbert Supply Chain (until 30 September 2019)			
	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
Base salary	–	178,750	178,750	178,750	930,000	697,500	697,500	697,500
Fringe benefits	–	13,499	13,499	13,499	264,539	116,000	116,000	116,000
Total	**–**	**192,249**	**192,249**	**192,249**	**1,194,539**	**813,500**	**813,500**	**813,500**
Annual bonus: one-year share	–	71,500	0	89,375	372,000	279,000	0	348,750
Multi-year variable remuneration	–	71,500	0	89,375	1,224,553	279,000	0	348,750
LTIP with four-year waiting period	–	–	–	–	852,553[1]	–	–	–
Annual bonus: deferral with three-year waiting period	–	71,500	0	89,375	372,000	279,000	0	348,750
Total	**–**	**335,249**	**192,249**	**370,999**	**2,791,092**	**1,371,500**	**813,500**	**1,511,000**
Pension expense (service cost)	–	–	–	–	310,989	290,027	290,027	290,027
Total remuneration	**–**	**335,249**	**192,249**	**370,999**	**3,102,081**	**1,661,527**	**1,103,527**	**1,801,027**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2019				**n.a.**				**n.a.**

[1] Forfeited on departure.

	Melanie Kreis Finance				Tobias Meyer Post & Parcel Germany (since 1 April 2019)			
	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
Base salary	930,000	930,000	930,000	930,000	–	536,250	536,250	536,250
Fringe benefits	17,003	20,674	20,674	20,674	–	20,045	20,045	20,045
Total	**947,003**	**950,674**	**950,674**	**950,674**	**–**	**556,295**	**556,295**	**556,295**
Annual bonus: one-year share	372,000	372,000	0	465,000	–	214,500	0	268,125
Multi-year variable remuneration	1,239,978	1,696,340	0	5,762,280	–	1,232,683	0	4,340,765
LTIP with four-year waiting period	867,978	1,324,340	0	5,297,280	–	1,018,183	0	4,072,640
Annual bonus: deferral with three-year waiting period	372,000	372,000	0	465,000	–	214,500	0	268,125
Total	**2,558,981**	**3,019,014**	**950,674**	**7,177,954**	**–**	**2,003,478**	**556,295**	**5,165,185**
Pension expense (service cost)	317,375	309,440	309,440	309,440	–	–	–	–
Total remuneration	**2,876,356**	**3,328,454**	**1,260,114**	**7,487,394**	**–**	**2,003,478**	**556,295**	**5,165,185**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2019				**5,000,000**				**5,000,000**

	Thomas Ogilvie Human Resources and Corporate Incubations				John Pearson Express (since 1 January 2019)			
	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
Base salary	715,000	763,333	763,333	763,333	–	715,000	715,000	715,000
Fringe benefits	14,896	14,079	14,079	14,079	–	86,469	86,469	86,469
Total	**729,896**	**777,412**	**777,412**	**777,412**	**–**	**801,469**	**801,469**	**801,469**
Annual bonus: one-year share	286,000	305,333	0	381,667	–	286,000	0	357,500
Multi-year variable remuneration	881,836	1,386,623	0	4,706,779	–	1,304,183	0	4,430,140
LTIP with four-year waiting period	595,836	1,081,290	0	4,325,112	–	1,018,183	0	4,072,640
Annual bonus: deferral with three-year waiting period	286,000	305,333	0	381,667	–	286,000	0	357,500
Total	**1,897,732**	**2,469,368**	**777,412**	**5,865,858**	**–**	**2,391,652**	**801,469**	**5,589,109**
Pension expense (service cost)	247,753	242,938	242,938	242,938	–	246,341	246,341	246,341
Total remuneration	**2,145,485**	**2,712,306**	**1,020,350**	**6,108,796**	**–**	**2,637,993**	**1,047,810**	**5,835,450**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2019				**5,000,000**				**5,000,000**

	Tim Scharwath Global Forwarding, Freight			
	2018	2019	Min. 2019	Max. 2019
Base salary	715,000	799,583	799,583	799,583
Fringe benefits	53,390	40,620	40,620	40,620
Total	**768,390**	**840,203**	**840,203**	**840,203**
Annual bonus: one-year share	286,000	319,833	0	399,792
Multi-year variable remuneration	929,506	1,544,489	0	5,298,352
LTIP with four-year waiting period	643,506	1,224,656	0	4,898,560
Annual bonus: deferral with three-year waiting period	286,000	319,833	0	399,792
Total	**1,983,896**	**2,704,525**	**840,203**	**6,538,347**
Pension expense (service cost)	247,556	244,868	244,868	244,868
Total remuneration	**2,231,452**	**2,949,393**	**1,085,071**	**6,783,215**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2019				**5,000,000**

Remuneration paid in accordance with the German Corporate Governance Code

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	Frank Appel Chairman		Ken Allen eCommerce Solutions		Oscar de Bok Supply Chain (since 1 October 2019)	
	2018	2019	2018	2019	2018	2019
Base salary	2,060,684	2,060,684	1,005,795	1,005,795	–	178,750
Fringe benefits	52,889	50,933	102,716	100,672	–	13,499
Total	**2,113,573**	**2,111,617**	**1,108,511**	**1,106,467**	**–**	**192,249**
Annual bonus: one-year share	0[1]	754,520	195,124	402,217	–	71,482
Multi-year variable remuneration	4,958,262	5,768,086	482,147	1,361,956	–	–
Annual bonus: deferral from 2016	950,662	–	482,147	–	–	–
Annual bonus: deferral from 2017	–	952,351	–	487,945	–	–
2012 LTIP tranche	4,007,600	–	–	–	–	–
2013 LTIP tranche	–	4,815,735	–	874,011	–	–
Other	–	–	–	–	–	–
Total	**7,071,835**	**8,634,223**	**1,785,782**	**2,870,640**	**–**	**263,731**
Pension expense (service cost)	1,121,934	1,093,499	345,640	348,733	–	–
Total	**8,193,769**	**9,727,722**	**2,131,422**	**3,219,373**	**–**	**263,731**

	John Gilbert Supply Chain (until 30 September 2019)		Melanie Kreis Finance		Tobias Meyer Post & Parcel Germany (since 1 April 2019)	
	2018	2019	2018	2019	2018	2019
Base salary	930,000	697,500	930,000	930,000	–	536,250
Fringe benefits	264,539	116,000	17,003	20,674	–	20,045
Total	**1,194,539**	**813,500**	**947,003**	**950,674**	**–**	**556,295**
Annual bonus: one-year share	122,295	278,930	0[1]	335,963	–	205,947
Multi-year variable remuneration	389,263	434,806	364,964	405,892	–	–
Annual bonus: deferral from 2016	389,263	–	364,964	–	–	–
Annual bonus: deferral from 2017	–	434,806	–	405,892	–	–
2012 LTIP tranche	–	–	–	–	–	–
2013 LTIP tranche	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**1,706,097**	**1,527,236**	**1,311,967**	**1,692,529**	**–**	**762,242**
Pension expense (service cost)	310,989	290,027	317,375	309,440	–	–
Total	**2,017,086**	**1,817,263**	**1,629,342**	**2,001,969**	**–**	**762,242**

	Thomas Ogilvie Human Resources and Corporate Incubations		John Pearson Express (since 1 January 2019)		Tim Scharwath Global Forwarding, Freight	
	2018	2019	2018	2019	2018	2019
Base salary	715,000	763,333	–	715,000	715,000	799,583
Fringe benefits	14,896	14,079	–	86,469	53,390[2]	40,620
Total	**729,896**	**777,412**	**–**	**801,469**	**768,390**	**840,203**
Annual bonus: one-year share	96,275	268,388	–	262,977	129,773	301,043
Multi-year variable remuneration	–	116,188	–	–	–	196,780
Annual bonus: deferral from 2016	–	–	–	–	–	–
Annual bonus: deferral from 2017	–	116,188	–	–	–	196,780
2012 LTIP tranche	–	–	–	–	–	–
2013 LTIP tranche	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**826,171**	**1,161,988**	**–**	**1,064,446**	**898,163**	**1,338,026**
Pension expense (service cost)	247,753	242,938	–	246,341	247,556	244,868
Total	**1,073,924**	**1,404,926**	**–**	**1,310,787**	**1,145,719**	**1,582,894**

[1] Waiver of annual bonus (including deferral) 2018. [2] Plus a compensation payment of €783,460 in 2018.

Remuneration in accordance with the HGB (DRS 17)

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	Frank Appel Chairman		Ken Allen eCommerce Solutions		Oscar de Bok Supply Chain (since 1 October 2019)	
	2018	2019	2018	2019	2018	2019
Base salary	2,060,684	2,060,684	1,005,795	1,005,795	–	178,750
Fringe benefits	52,889	50,933	102,716	100,672	–	13,499
Annual bonus: one-year share	0[1]	754,520	195,124	402,217	–	71,482
Annual bonus: deferral from 2016	950,662	–	482,147	–	–	–
Annual bonus: deferral from 2017	–	952,351	–	487,945	–	–
2018 LTIP tranche	1,545,533	–	922,035	–	–	–
2019 LTIP tranche	–	2,796,980	–	1,432,255	–	–
Total	**4,609,768**	**6,615,468**	**2,707,817**	**3,428,884**	**–**	**263,731**

	John Gilbert Supply Chain (until 30 September 2019)		Melanie Kreis Finance		Tobias Meyer Post & Parcel Germany (since 1 April 2019)	
	2018	2019	2018	2019	2018	2019
Base salary	930,000	697,500	930,000	930,000	–	536,250
Fringe benefits	264,539	116,000	17,003	20,674	–	20,045
Annual bonus: one-year share	122,295	278,930	0[1]	335,963	–	205,947
Annual bonus: deferral from 2016	389,263	–	364,964	–	–	–
Annual bonus: deferral from 2017	–	434,806	–	405,892	–	–
2018 LTIP tranche	852,553[2]	–	867,978	–	–	–
2019 LTIP tranche	–	–	–	1,324,340	–	1,018,183
Total	**2,558,650**	**1,527,236**	**2,179,945**	**3,016,869**	**–**	**1,780,425**

	Thomas Ogilvie Human Resources and Corporate Incubations		John Pearson Express (since 1 January 2019)		Tim Scharwath Global Forwarding, Freight	
	2018	2019	2018	2019	2018	2019
Base salary	715,000	763,333	–	715,000	715,000	799,583
Fringe benefits	14,896	14,079	–	86,469	53,390	40,620
Annual bonus: one-year share	96,275	268,388	–	262,977	129,773	301,043
Annual bonus: deferral from 2016	–	–	–	–	–	–
Annual bonus: deferral from 2017	–	116,188	–	–	–	196,780
2018 LTIP tranche	595,836	–	–	–	643,506	–
2019 LTIP tranche	–	1,081,290	–	1,018,183	–	1,224,656
Total	**1,422,007**	**2,243,278**	**–**	**2,082,629**	**2,325,129[3]**	**2,562,682**

[1] Waiver of annual bonus (including deferral) 2018. [2] Forfeited on departure. [3] Including a compensation payment of €783,460 in 2018.

Contribution-based pension commitments: individual breakdown

€	Total contribution for 2018	Total contribution for 2019	Present value (DBO) as at 31 Dec. 2018	Present value (DBO) as at 31 Dec. 2019
Ken Allen	352,028	352,028	3,364,734	3,888,461
Oscar de Bok (since 1 October 2019)	–	62,563	–	517,661
John Gilbert (until 30 September 2019)	325,500	244,125	1,330,176	1,854,189
Melanie Kreis	325,500	325,500	1,719,088	2,294,996
Tobias Meyer (since 1 April 2019)	–	187,688	–	745,611
Thomas Ogilvie	250,250	250,250	392,850	758,257
John Pearson (since 1 January 2019)	–	250,250	–	267,327
Tim Scharwath	250,250	250,250	404,952	711,698
Total	**1,503,528**	**1,922,654**	**7,211,800**	**11,038,200**

Final-salary-based legacy pension commitments: individual breakdown

	Pension commitments				
	Pension level on 31 Dec. 2018 %	Pension level on 31 Dec. 2019 %	Maximum pension level %	Present value (DBO) as at 31 Dec. 2018 €	Present value (DBO) as at 31 Dec. 2019 €
Frank Appel, Chairman	50	50	50	21,563,074	26,570,684
Total				**21,563,074**	**26,570,684**

Benefits for former Board of Management members

Benefits paid to former members of the Board of Management or their surviving dependants amounted to €6.3 million in financial year 2019 (previous year: €9.6 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs was €100 million (previous year: €94 million).

REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

The remuneration for 2019 totalled €2.6 million (previous year: €2.7 million). The following table shows both totals, broken down as the remuneration paid to each Supervisory Board member.

Annual Corporate Governance Statement and non-financial report

The Annual Corporate Governance Statement can be found at **dpdhl.com/en/investors** and on **page 82 ff.** The summarised, separate non-financial report for Deutsche Post AG and the Group with the disclosures in accordance with sections 289b ff. and 315b f. of the HGB can be found in the **Sustainability Report, dpdhl.com/2019sustainabilityreport.**

Remuneration paid to Supervisory Board members

€	2018			2019		
Board members	Fixed component	Attendance allowance	Total	Fixed component	Attendance allowance	Total
Dr Nikolaus von Bomhard (Chair, since 24 April 2018)	253,750	26,000	**279,750**	315,000	17,000	**332,000**
Andrea Kocsis (Deputy Chair)	245,000	26,000	**271,000**	245,000	16,000	**261,000**
Rolf Bauermeister	140,000	22,000	**162,000**	140,000	12,000	**152,000**
Dr Günther Bräunig (since 17 March 2018)	55,417	5,000	**60,417**	91,875	6,000	**97,875**
Dr Mario Daberkow (since 24 April 2018)	49,583	7,000	**56,583**	70,000	4,000	**74,000**
Ingrid Deltenre	94,792	15,000	**109,792**	105,000	8,000	**113,000**
Jörg von Dosky	70,000	10,000	**80,000**	70,000	4,000	**74,000**
Werner Gatzer	140,000	19,000	**159,000**	140,000	14,000	**154,000**
Gabriele Gülzau (since 24 April 2018)	49,583	8,000	**57,583**	70,000	4,000	**74,000**
Thomas Held (since 24 April 2018)	74,375	12,000	**86,375**	105,000	8,000	**113,000**
Dr Heinrich Hiesinger (since 15 May 2019)	–	–	**–**	43,750	3,000	**46,750**
Mario Jacubasch (since 24 April 2018)	49,583	8,000	**57,583**	70,000	4,000	**74,000**
Prof. Dr Henning Kagermann (until 15 May 2019)	105,000	15,000	**120,000**	39,375	2,000	**41,375**
Thomas Koczelnik	175,000	27,000	**202,000**	175,000	19,000	**194,000**
Anke Kufalt (until 24 April 2018)	20,417	2,000	**22,417**	–	–	**–**
Ulrike Lennartz-Pipenbacher	70,000	10,000	**80,000**	70,000	4,000	**74,000**
Simone Menne	105,000	17,000	**122,000**	105,000	11,000	**116,000**
Roland Oetker	140,000	19,000	**159,000**	140,000	12,000	**152,000**
Andreas Schädler (until 24 April 2018)	20,417	1,000	**21,417**	–	–	**–**
Sabine Schielmann (until 24 April 2018)	20,417	2,000	**22,417**	–	–	**–**
Prof. Dr Wulf von Schimmelmann (Chair) (until 24 April 2018)	91,875	7,000	**98,875**	–	–	**–**
Dr Ulrich Schröder (until 6 February 2018)	8,750	0	**8,750**	–	–	**–**
Dr Stefan Schulte	140,000	18,000	**158,000**	140,000	11,000	**151,000**
Stephan Teuscher[1]	105,000	18,000	**123,000**	105,000	11,000	**116,000**
Stefanie Weckesser	115,208	20,000	**135,208**	105,000	11,000	**116,000**
Prof. Dr-Ing. Katja Windt	70,000	10,000	**80,000**	70,000	4,000	**74,000**

[1] Stephan Teuscher receives €1,500 per year for his service on the Supervisory Board of DHL Hub Leipzig GmbH.

REPORT ON ECONOMIC POSITION

Overall assessment

In financial year 2019, Deutsche Post DHL Group succeeded in increasing revenue in all divisions. Group EBIT came to €4.1 billion, meaning that we reached the higher profit target that we had defined during the course of 2019. Earnings benefitted significantly from the effects of the restructuring activities in the Post & Parcel Germany division. The Global Forwarding, Freight and Supply Chain divisions also reported higher earnings thanks to profitability improvements. In the new eCommerce Solutions division, earnings were negatively impacted by restructuring costs. Express continued to see strong growth, and the measures underway to revamp the division's intercontinental fleet will increase the Express division's already high productivity levels even further. Given the capital expenditure of €3.6 billion, we are very satisfied with the performance of free cash flow. All in all, the Board of Management assesses the Group's financial position as being very sound.

Forecast / actual comparison

Forecast / actual comparison

	Targets for 2019	Results for 2019	Targets for 2020
EBIT	• Group: €4.0 billion to €4.3 billion[1] • Post & Parcel Germany division: €1.1 billion to €1.3 billion[1] • DHL divisions: €3.4 billion to €3.5 billion • Corporate Functions: around €–0.5 billion	• Group: €4.1 billion • Post & Parcel Germany division: €1.2 billion • DHL divisions: €3.4 billion • Corporate Functions: €–0.5 billion	**EBIT[2]** • Group: more than €5.0 billion. • Post & Parcel Germany division: more than €1.6 billion. • DHL divisions: more than €3.7 billion. • Corporate Functions: around €–0.35 billion.
EAC	• EAC projected to increase in line with EBIT.	• EAC rose to €1.5 billion in line with EBIT.	• EAC projected to increase in line with EBIT.
Cash flows	• Free cash flow to exceed €0.5 billion (including the renewal of the intercontinental Express fleet).	• Free cash flow reached €0.9 billion (including the renewal of the intercontinental Express fleet).	**Cash flows[3]** • Free cash flow of around €1.4 billion (including around €500 million for the renewal of the intercontinental Express fleet).
Capital expenditure (capex)	• Investment spending (excluding leases): around €3.7 billion (including the debt-financed renewal of the Express intercontinental fleet).	• Investment spending (excluding leases): €3.6 billion (including the debt-financed renewal of the Express intercontinental fleet).	**Capital expenditure (capex)[4]** • Investment spending (excluding leases): approx. €2.6 billion (plus around €500 million for the renewal of the intercontinental Express fleet).
Dividend distribution	• Dividend payout of 40% to 60% of net profit.	• To be proposed: dividend payout of 59% of net profit.	• Dividend payout of 40% to 60% of net profit.
Employee Opinion Survey	• Increase our Active Leadership KPI by one percentage point.	• Active Leadership KPI increased by two percentage points to 78%.	• Employee Engagement KPI of 78%.
Greenhouse gas efficiency	• CEX projected to increase by one index point.	• CEX up by two index points to 35.	• CEX will increase by another index point.

[1] Forecast raised during the year. [2] Before effects from the coronavirus and expenses in connection with the realignment of StreetScooter. [3] Before effects from the coronavirus. [4] Including effects from the coronavirus and the StreetScooter realignment.

Economic parameters

Global economy loses significant momentum

The world economy lost significant momentum in 2019. In the industrial countries, average GDP growth declined to 1.7%. Growth in the emerging markets also faltered, dropping to 4.2%. Total global economic output grew by 2.6%, a significant slowdown compared with the prior year (3.2%). Global trading volumes registered a slight increase compared with 2018. However, the increase was as low as had been seen since the years of 2008 and 2009 (IHS Markit: 1.9%; IMF: 1.1%; OECD: 1.2%).

Asia again proved to be the growth driver for the global economy in 2019. However, even here GDP growth softened to just 4.4%. One reason for the slowdown was the continued decline in growth in China. After reaching 6.8% in 2018, the Chinese economy expanded by only 6.2% in the reporting period. The main factor in the growth decline was the trade conflict with the United States. In Japan, the pace of growth suffered somewhat from the value added tax increase in October. The Japanese economy nonetheless reported expansion of 1.1% in 2019 compared with 0.3% in the previous year.

In the United States, GDP growth softened slightly in 2019 to settle at a solid 2.3% (previous year: 2.9%). Positive factors such as consumer spending and residential investment were offset by negative factors such as the effects of the trade dispute with China. In terms of volumes, U.S. exports actually declined, whereas imports were up yet again.

The eurozone economy lost momentum in 2019, with the effects being felt most strongly in the EU countries with the highest export levels. Eurozone demand also slowed towards the end of the year as the uncertain business environment prompted companies to scale back or postpone investments. The decrease in foreign trade was the main factor in the decline in GDP growth to 1.2% in the eurozone (previous year: 1.9%).

After getting off to a good start at the beginning of 2019, the German economy stagnated as the year progressed. Consumer spending continued to be propped up by heightened consumer confidence, very low unemployment levels and above-average wage and pension increases. The average number of employed persons rose to 45.3 million (previous year: 44.8 million), and government spending increased significantly once again in 2019. Gross fixed capital formation likewise proved robust, despite corporate concerns regarding Brexit and a rise in global protectionist tendencies. All of these factors resulted in a deceleration in GDP growth in Germany, from 1.5% in 2018 to 0.5% in 2019.

Drop in average price of oil for the year

In 2019, the price of oil was impacted by weak global demand in combination with increased crude oil production in the United States. Risk events such as the September attack on Saudi oil processing facilities in Abqaiq led to short-term price hikes. However, the average annual price per barrel of Brent crude declined from US$71 in 2018 to US$64 in 2019.

Euro remains weak against the dollar

The deteriorating economic outlook led the European Central Bank (ECB) to initiate another change of course in monetary policy. The ECB decided to resume net asset purchases at a monthly pace of €20 billion effective as of 1 November. The main refinancing operations rate was left at 0.00%, and the deposit facility rate was lowered to −0.50%. The US Federal Reserve likewise announced a turnaround in monetary policy in 2019. In light of the highly uncertain outlook, the Fed lowered the target rate by a total of three-quarters of a percentage point to 1.75% in three steps.

The euro remained weak against the dollar in 2019. The nominal effective exchange rate for the euro is nonetheless well above the long-term average for a basket of currencies, due in particular to the euro's appreciation against sterling and the Chinese renminbi.

Government bond yields trending downwards

The first half of 2019 saw a sharp increase in risk premiums on eurozone bond markets, due in part to the political situation in Italy and the uncertainty surrounding Brexit. Yields on ten-year German government bonds slipped into negative terrain for the first time ever to end the year at −0.15% (previous year: 0.25%). Yields on ten-year US government bonds also fell in 2019 but remained well into positive territory. Ten-year US government bonds were yielding 1.92% at the end of the year (previous year: 2.68%).

Stock markets soared in 2019 despite the difficult business climate, which was especially problematic for European companies. Growth was driven primarily by expectations of an economic upturn and an end to Brexit-based uncertainty as well as the general liquidity situation on the markets. The weaker outlook had already been priced into corporate earnings forecasts for the most part. The German DAX ended the year at 13,249 points, a year-on-year increase of 25.5%. The EURO STOXX 50 was up 24.8%, and the STOXX Sustainability Index registered growth of 26.2%. In the United States, the S&P 500 ended the year up 28.9%.

Trade volumes: average annual growth rate, 2018 to 2019

%

Export \ Import	Asia Pacific	Europe	Latin America	MEA (Middle East and Africa)	North America
Asia Pacific	−1.9	0.5	−2.8	2.9	−4.1
Europe	0.1	−1.7	−2.1	−0.3	2.1
Latin America	6.7	3.6	−1.0	8.3	5.2
MEA (Middle East and Africa)	−2.8	8.3	6.0	12.7	7.1
North America	−4.6	−1.5	0.7	5.6	−5.5

Source: Seabury Consulting, as at 3 February 2020; based upon all relevant ocean and air freight trading volumes in tonnes, excluding liquids and bulk goods.
Excluding shipments within the European Union free trade zone.

Trade growth stagnates

The global trade movements of relevance to us – air and ocean freight sent in containers, excluding liquids and bulk goods – declined by 0.4% in the year under review (previous year: +4.3%). Air freight volumes declined by 4.6%, due to the trade conflict and weakening world trade, whereas ocean freight volumes were down by 0.4%. The volume declines were particularly prevalent in North America and Asia.

Legal environment

In view of our leading market position, a large number of our services are subject to sector-specific regulation under the *Postgesetz* (PostG – German Postal Act). Further information regarding this issue and legal risks is contained in note 44 to the consolidated financial statements.

Significant events

In February, we completed the sale of our Supply Chain operations in China, Hong Kong and Macao, resulting in a net payment of €653 million and a deconsolidation gain of €439 million.

Since the third quarter, we have extended the group of (German-based) employees to whom we offer the option of taking a lump-sum payment in lieu of receiving a lifetime pension under our occupational pension plan. In the fourth quarter, we expanded the eligible group of employees even further. This resulted in total income of €258 million from the remeasurement of pension obligations, most of which we used to offset costs incurred to restructure the Post & Parcel Germany division.

We spent a net amount of €481 million on restructuring measures as part of a profit improvement initiative in financial year 2019.

Results of operations

Portfolio largely unchanged

Beyond the sale of the Supply Chain business in China, our portfolio did not change significantly in the year under review.

Consolidated revenue also increases due to currency effects

In financial year 2019, consolidated revenue rose by €1,791 million to €63,341 million, for reasons including positive currency effects of €746 million. The proportion of revenue generated abroad increased from 69.5% to 69.9%. Revenue for the fourth quarter of 2019 was up by €30 million to €16,956 million. It was also given a boost by currency effects of €199 million. The prior-year quarter still included revenue from the Supply Chain business in China.

Income of €439 million from the sale of the Supply Chain business in China was the main factor driving up other operating income considerably to €2,351 million.

Revenue, 2019

€m

63,341

2018	Change
61,550	+2.9%

Selected indicators for results of operations

		2018	2019	Q4 2018	Q4 2019
Revenue	€m	61,550	63,341	16,926	16,956
Profit from operating activities (EBIT)	€m	3,162	4,128	1,134	1,258
Return on sales[1]	%	5.1	6.5	6.7	7.4
EBIT after asset charge (EAC)	€m	716	1,509	509	595
Consolidated net profit for the period[2]	€m	2,075	2,623	813	858
Earnings per share[3]	€	1.69	2.13	0.66	0.70
Dividend per share	€	1.15	1.25[4]	–	–

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

Increase in staff costs

Currency effects in particular increased materials expense by €397 million to €32,070 million. At €21,610 million, staff costs were up €785 million over the previous year's figure, due primarily to an increased headcount and the collective wage increase in Germany beginning on 1 October 2018. The previous year's figure included an expense of €400 million for the early retirement programme in what is now the Post & Parcel Germany division. In the reporting period, this figure was €123 million. Depreciation, amortisation and impairment losses rose from €3,292 million to €3,684 million, due in part to investments, which markedly increased leased property, plant and equipment. The purchase of aircraft as part of modernisation of our Express intercontinental fleet also contributed to this rise. Other operating expenses declined by €166 million to €4,431 million. In the reporting period, this item included restructuring expenses in the Post & Parcel Germany, Supply Chain and eCommerce Solutions divisions, whilst in the previous year there was a negative effect from customer contracts.

Consolidated EBIT up 30.6%

In the year under review, consolidated EBIT stood at €4,128 million, €966 million over the previous year's level (€3,162 million). At €1,258 million, EBIT in the fourth quarter exceeded the comparable prior-year figure by 10.9%. Primarily negative effects from the measurement of stock appreciation rights (SARs) at fair value and higher interest expense on lease liabilities caused net finance costs to increase from €–576 million to €–654 million. Profit before income taxes rose by €888 million to €3,474 million. Income taxes increased by €336 million to €698 million.

EBIT, 2019
€m
4,128

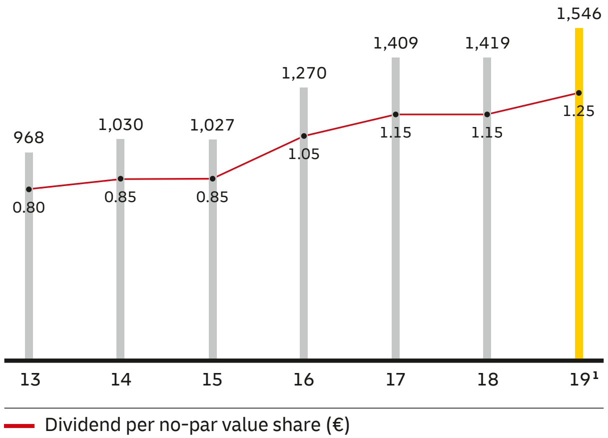
2018	Change
3,162	+30.6%

Changes in revenue, other operating income and operating expenses, 2019

	€m	+/–%	
Revenue	63,341	2.9	▪ Currency effects increase figure by €746 million
Other operating income	2,351	22.8	▪ Includes income of €439 million from the sale of the Supply Chain business in China
Materials expense	32,070	1.3	▪ Currency effects increase figure by €510 million ▪ Higher transport costs
Staff costs	21,610	3.8	▪ Rise in headcount ▪ Currency effects increase figure by €220 million ▪ The prior-year figure included expenses of €400 million for the early retirement programme in the Post & Parcel Germany division; this figure was €123 million in the reporting period. ▪ The prior-year figure included income from the remeasurement of pension obligations totalling €108 million; this figure was €258 million in the reporting period ▪ Collective wage increase in Germany as at 1 October 2018
Depreciation, amortisation and impairment losses	3,684	11.9	▪ Investment-related increase in leased property, plant and equipment
Other operating expenses	4,431	–3.6	▪ Prior-year figure included a negative effect from customer contracts ▪ Include restructuring expenses of €150 million in the Post & Parcel Germany, Supply Chain and eCommerce Solutions divisions ▪ Personal insurance expenses in the amount of €195 million were reclassified to staff costs.

Total dividend and dividend per no-par value share

€m



¹ Proposal.

Significant improvement in consolidated net profit

Consolidated net profit showed a sharp improvement in 2019, rising from €2,224 million to €2,776 million. Of this amount, €2,623 million is attributable to Deutsche Post AG shareholders and €153 million to non-controlling interest shareholders. Basic earnings per share increased from €1.69 to €2.13 and diluted earnings per share from €1.66 to €2.09.

Proposed dividend: €1.25 per share

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 a dividend of €1.25 per share for financial year 2019 to shareholders at the Annual General Meeting on 13 May 2020 (previous year: €1.15). The payout ratio in relation to consolidated net profit attributable to the shareholders of Deutsche Post AG amounts to 59%. The dividend yield based on the year-end closing price for our shares is 3.7%. The dividend will be distributed on 18 May 2020 and is tax-free in part for shareholders resident in Germany. It does not entitle recipients to a tax refund or a tax credit.

EBIT after asset charge (EAC) grows significantly

EAC improved in 2019, rising from €716 million to €1,509 million. Whilst EBIT was up considerably, the imputed asset charge rose only moderately.

EBIT after asset charge (EAC)

€m

	2018	2019	+/–%
EBIT	3,162	4,128	30.6
– Asset charge	–2,446	–2,619	–7.1
= **EAC**	**716**	**1,509**	**>100**

The net asset base increased by around €1.9 billion to €30,484 million as at the reporting date. Intangible assets and property, plant and equipment increased in particular, mainly on account of the acquisition of freight aircraft and investments in warehouses, sorting facilities and the vehicle fleet.

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

Net asset base (consolidated) [1]

€m

	31 Dec. 2018	31 Dec. 2019	+/–%
Intangible assets and property, plant and equipment	31,254	33,285	6.5
± Net working capital	–919	–818	11.0
– Operating provisions (excluding provisions for pensions and similar obligations)	–1,865	–2,036	–9.2
± Other non-current assets and liabilities	124	53	–57.3
= **Net asset base**	**28,594**	**30,484**	**6.6**

[1] Assets and liabilities as described in the segment reporting, note 9 to the consolidated financial statements.

Financial position

Selected cash flow indicators

€m

	2018	2019	Q4 2018	Q4 2019
Cash and cash equivalents as at 31 December	3,017	2,862	3,017	2,862
Change in cash and cash equivalents	–20	–203	809	654
Net cash from operating activities	5,796	6,049	2,652	2,663
Net cash used in investing activities	–2,777	–2,140	–1,481	–1,095
Net cash used in financing activities	–3,039	–4,112	–362	–914

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.

Maintaining financial flexibility and low cost of capital

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

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

Finance strategy

Credit rating

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

Dividend policy

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

Excess liquidity

- Pay out special dividends or implement share buyback programme.

Debt portfolio

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

Investors

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

Group

- Preserve financial and strategic flexibility.
- Assure low cost of capital.

FFO to debt

€m

	2018	2019
Operating cash flow before changes in working capital	6,079	6,045
+ Interest received	52	82
− Interest paid	526	608
+ Adjustment for pensions	309	190
= Funds from operations, FFO	**5,914**	**5,709**
Reported financial liabilities	16,462	16,974
− Financial liabilities at fair value through profit or loss[1]	38	23
+ Adjustment for pensions	4,110	4,872
− Surplus cash and near-cash investments[1]	2,683	1,916
= Debt	**17,851**	**19,907**
FFO to debt (%)	**33.1**	**28.7**

[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 year-on-year decrease in the year under review because funds from operations declined and debt grew.

Funds from operations fell by €205 million to €5,709 million. Interest received was up, primarily due to interest income from currency hedging transactions. The amount of interest paid increased as more interest was paid on leases and bonds as well as in connection with additional tax payments. The adjustment for pensions decreased, chiefly due to lower pension payments from plan assets.

Debt rose by €2,056 million year-on-year to €19,907 million. Reported financial liabilities increased because of higher lease liabilities and amounts due to banks. Conversely, promissory note loans were repaid early in the amount of €265 million in 2019. The adjustment for pensions rose, since pension obligations increased faster than plan assets. Surplus cash and near-cash investments dropped despite free cash flow of €867 million, mainly due to dividends distributed.

Cash and liquidity managed centrally

The cash and liquidity of our globally operating subsidiaries is managed centrally by Corporate Treasury. More than 80% of the Group's external revenue is consolidated in cash pools and used to balance internal liquidity needs. In countries where this practice is ruled out for legal reasons, internal and external borrowing and investment are managed centrally by Corporate Treasury. In this context, we observe a balanced banking policy in order to remain independent of individual banks. Our subsidiaries' intra-group revenue is also pooled and managed by our in-house bank (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 facility was extended in the year under review and now runs until 2024. It includes one more renewal option of one year, and does not contain any covenants concerning the Group's financial indicators. Thanks to our solid liquidity situation, the syndicated credit facility was not drawn down during the year under review.

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

Promissory note loans in the amount of €0.3 billion were repaid early in the year under review. Further information on bonds is contained in note 38 to the consolidated financial statements.

Sureties, letters of comfort and guarantees

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

No change in the Group's credit rating

The ratings of "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 at dpdhl.com/en/investors.

No change in the Group's credit rating of BBB+ and A3

Agency ratings

Fitch Ratings

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

+ Rating factors

- Balanced business risk profile.
- Growth in internet-led parcel volumes.
- Strong position in global time-definite express services with continued growth and margin improvement.
- Solid credit metrics and good liquidity.

– Rating factors

- Structural mail volume declines 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 Investors Service

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

+ Rating factors

- Scale and solid business profile, enhanced by global leadership position in Express and Logistics and large-scale mail business in Germany.
- Rating bolstered by indirect interest of 21% held by the federal government and the importance of the company's services to the German economy.
- Solid credit metrics.

– Rating factors

- Challenges in domestic mail business resulting from structural decline in traditional mail business.
- Exposure to highly competitive mature markets and volatile market conditions in the logistics business.
- Growing investments putting downward pressure on cash generation.

Liquidity and sources of funds

As at the reporting date, the Group had cash and cash equivalents in the amount of €2.9 billion (previous year: €3.0 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 €1.5 billion as at the reporting date (previous year: €2.3 billion).

The following table gives a breakdown of the financial liabilities reported in the balance sheet. Additional information is provided in note 38 to the consolidated financial statements.

Financial liabilities

€m

	2018	2019
Lease liabilities	9,859	10,301
Bonds	5,472	5,467
Amounts due to banks	264	468
Promissory note loans	499	235
Financial liabilities measured at fair value through profit or loss	38	23
Other financial liabilities	330	480
	16,462	**16,974**

Capital expenditure for assets acquired up sharply

Investments in property, plant and equipment and intangible assets acquired (excluding goodwill) amounted to €3,617 million in the year under review (previous year: €2,648 million). A breakdown of capex into asset classes and regions is presented in notes 9, 21 and 22 to the consolidated financial statements.

Capex and depreciation, amortisation and impairment losses, full year

	Post & Parcel Germany adjusted[1]		Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions adjusted[1]		Corporate Functions		Consolidation[2]		Group	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Capex (€m) relating to assets acquired	620	469	1,190	2,080	110	114	282	323	166	132	290	502	−10	−3	**2,648**	**3,617**
Capex (€m) relating to leased assets	1	29	739	940	158	159	805	701	175	126	518	772	1	0	**2,397**	**2,727**
Total (€m)	**621**	**498**	**1,929**	**3,020**	**268**	**273**	**1,087**	**1,024**	**341**	**258**	**808**	**1,274**	**−9**	**−3**	**5,045**	**6,344**
Depreciation, amortisation and impairment losses (€m)	303	343	1,152	1,314	238	254	826	897	151	213	623	663	−1	0	**3,292**	**3,684**
Ratio of total capex to depreciation, amortisation and impairment losses	2.05	1.45	1.67	2.30	1.13	1.07	1.32	1.14	2.26	1.21	1.30	1.92	–	–	**1.53**	**1.72**

[1] **Note 9 to the consolidated financial statements.**
[2] Including rounding.

Capex and depreciation, amortisation and impairment losses, Q4

	Post & Parcel Germany adjusted[1]		Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions adjusted[1]		Corporate Functions		Consolidation[2]		Group	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Capex (€m) relating to assets acquired	193	184	511	557	35	41	82	92	52	52	111	120	−39	−1	**945**	**1,045**
Capex (€m) relating to leased assets	0	2	102	216	37	54	216	280	81	42	143	150	2	0	**581**	**744**
Total (€m)	**193**	**186**	**613**	**773**	**72**	**95**	**298**	**372**	**133**	**94**	**254**	**270**	**−37**	**−1**	**1,526**	**1,789**
Depreciation, amortisation and impairment losses (€m)	79	116	312	345	65	65	217	217	42	54	164	169	−1	0	**878**	**966**
Ratio of total capex to depreciation, amortisation and impairment losses	2.44	1.60	1.96	2.24	1.11	1.46	1.37	1.71	3.17	1.74	1.55	1.60	–	–	**1.74**	**1.85**

[1] **Note 9 to the consolidated financial statements.**
[2] Including rounding.

In the Post & Parcel Germany division, the largest capex portion was attributable to the expansion of our network.

Investments in the Express division related to buildings and technical equipment. Capital spending also focussed upon continuous maintenance and renewal of our aircraft fleet, including further advance payments for the renewal of the Express intercontinental aircraft fleet.

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 new business in all regions, mostly in the Americas and EMEA regions.

In the eCommerce Solutions division, most of the investments were attributable to a new terminal in the Netherlands and investments in India and the United States.

At Corporate Functions, the higher capital spending during the reporting period was made increasingly in the vehicle fleet, in IT equipment and in expanded production of StreetScooter electric vehicles.

Higher operating cash flow

Net cash from operating activities increased by €253 million to €6,049 million in financial year 2019. Based upon EBIT, which at €4,128 million was well over the prior year-figure (€3,162 million), all non-cash income and expense items were adjusted. The payments resulting from the sale of the Supply Chain business in China are shown in net cash from/used in investing activities. Depreciation, amortisation and impairment losses were up from €3,292 million to €3,684 million due to investment activity. The change in provisions was from €282 million to €–506 million, mainly due to the early retirement programme in the former Post - eCommerce - Parcel division. Income tax payments rose by €264 million to €843 million. Net cash from operating activities before changes in working capital decreased slightly, by €34 million to €6,045 million. The change in working capital resulted in a net cash inflow of €4 million. By contrast, a net cash outflow of €283 million was generated in the previous year, chiefly because we used cash to build up inventories that were decreased again in the year under review.

Net cash used in investing activities declined markedly from €2,777 million to €2,140 million. The key factor here was net proceeds from the sale of the Supply Chain business in China amounting to €653 million. In addition, the sale of money market funds increased proceeds from current financial assets by €800 million. Investments in property, plant and equipment and intangible assets rose by €963 million to €3,612 million; €1.1 billion was paid to modernise the Express intercontinental aircraft fleet.

Calculation of free cash flow

€m

	2018	2019	Q4 2018	Q4 2019
Net cash from operating activities	**5,796**	**6,049**	**2,652**	**2,663**
Sale of property, plant and equipment and intangible assets	151	138	105	34
Acquisition of property, plant and equipment and intangible assets	–2,649	–3,612	–851	–933
Cash outflow from change in property, plant and equipment and intangible assets	**–2,498**	**–3,474**	**–746**	**–899**
Disposals of subsidiaries and other business units	14	702	9	24
Disposals of investments accounted for using the equity method and other investments	23	0	23	0
Acquisition of subsidiaries and other business units	–58	–14	0	0
Acquisition of investments accounted for using the equity method and other investments	–39	–8	–6	0
Cash outflow/inflow from acquisitions/divestitures	**–60**	**680**	**26**	**24**
Proceeds from lease receivables	17	32	4	13
Repayment of lease liabilities	–1,722	–1,894	–465	–476
Interest on lease liabilities	–376	–416	–99	–106
Cash outflow from leases	**–2,081**	**–2,278**	**–560**	**–569**
Interest received	52	82	13	23
Interest paid	–150	–192	–78	–79
Net interest paid	**–98**	**–110**	**–65**	**–56**
Free cash flow	**1,059**	**867**	**1,307**	**1,163**

Free cash flow deteriorated from €1,059 million to €867 million. Apart from the effects mentioned above, greater cash funds were required for leases.

At €4,112 million, net cash used in financing activities was €1,073 million significantly higher than in the prior-year period (€3,039 million). In the previous year, we issued a €750 million bond and placed promissory note loans of €500 million. In the reporting year we repaid an amount of €265 million early, whilst also taking out loans of €349 million.

Cash and cash equivalents fell from €3,017 million as at 31 December 2018 to €2,862 million.

Net assets

Selected indicators for net assets

		31 Dec. 2018	31 Dec. 2019
Equity ratio	%	27.5	27.6
Net debt	€m	12,303	13,367
Net interest cover		6.7	7.8
Net gearing	%	47.0	48.2

Consolidated total assets up

The Group's total assets amounted to €52,169 million as at 31 December 2019, €1,699 million higher than at 31 December 2018 (€50,470 million).

Intangible assets increased from €11,850 million to €11,987 million because additions and positive currency effects exceeded amortisation and impairment losses and disposals. Property, plant and equipment rose from €19,202 million to €21,303 million, primarily on account of the €1.1 billion already capitalised for the renewal of the Express intercontinental aircraft fleet, amongst other things for advance payments. Other non-current assets increased slightly by €42 million to €395 million. Our net sale of money market funds sharply reduced current financial assets from €943 million to €394 million. Trade receivables rose by €314 million to €8,561 million. Other current assets increased by €229 million to €2,598 million on the back of a large number of minor factors. Assets held for sale declined considerably by €417 million to €9 million after the sale of the Supply Chain business in China.

At €14,117 million, equity attributable to Deutsche Post AG shareholders was higher than at 31 December 2018 (€13,590 million). Consolidated net profit for the period and currency effects increased this figure, whilst actuarial losses from pension obligations and the dividend distribution decreased it. Lower interest rates resulted in an increase in provisions for pensions and other obligations by €754 million to €5,102 million. Financial liabilities rose from €16,462 million to €16,974 million, primarily as a result of an increase of €442 million in lease liabilities due to investments. Trade payables decreased from €7,422 million to €7,225 million. Other current liabilities increased significantly by €481 million to €4,913 million, due primarily to an increase in employee-related liabilities. After the disposal of the Supply Chain business in China, liabilities associated with assets held for sale declined to €14 million.

Net debt increases to €13,367 million

Our net debt rose from €12,303 million as at 31 December 2018 to €13,367 million as at 31 December 2019 also due to higher lease liabilities. At 27.6%, the equity ratio was slightly higher than at 31 December 2018 (27.5%). Net interest cover indicates the extent to which net interest obligations are covered by EBIT. At 7.8, it was up on the previous year's level (6.7). Net gearing was 48.2% as at 31 December 2019.

Net debt

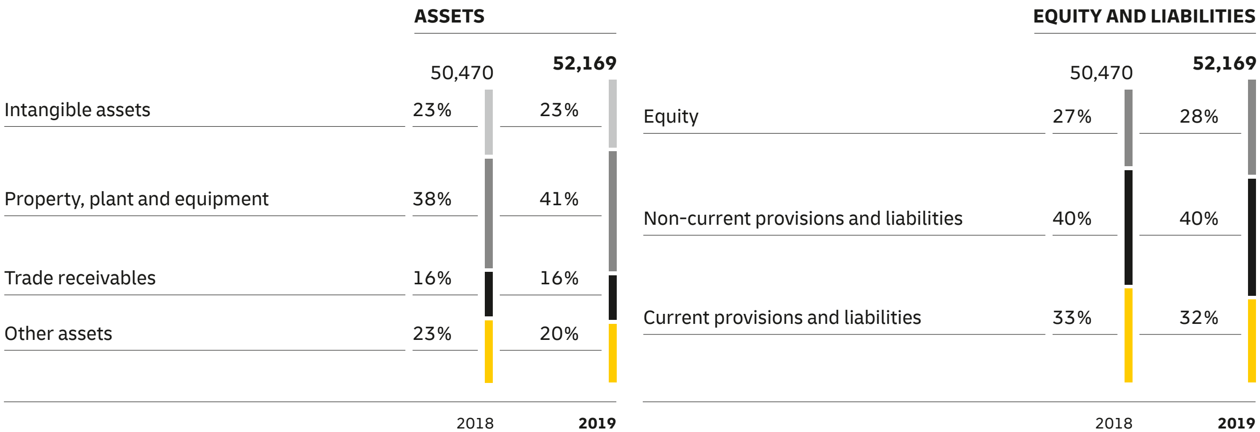
€m

	31 Dec. 2018	31 Dec. 2019
Non-current financial liabilities	13,838	13,708
+ Current financial liabilities	2,425	2,916
= Financial liabilities[1]	**16,263**	**16,624**
– Cash and cash equivalents	3,017	2,862
– Current financial assets	943	394
– Positive fair value of non-current financial derivatives[2]	0	1
= Financial assets	**3,960**	**3,257**
Net debt	**12,303**	**13,367**

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

Balance sheet structure of the Group as at 31 December

€m



Divisions

POST & PARCEL GERMANY DIVISION

Key figures, Post & Parcel Germany

€m

	2018 adjusted[1]	2019	+/–%	Q4 2018 adjusted[1]	Q4 2019	+/–%
Revenue	15,108	15,484	2.5	4,189	4,290	2.4
of which Post	9,760	9,640	–1.2	2,626	2,600	–1.0
Parcel	5,556	6,073	9.3	1,627	1,753	7.7
Other/Consolidation	–208	–229	–10.1	–64	–63	1.6
Profit from operating activities (EBIT)	683	1,230	80.1	372	522	40.3
Return on sales (%)[2]	4.5	7.9	–	8.9	12.2	–
Operating cash flow	1,106	1,137	2.8	544	657	20.8

[1] Note 9 to the consolidated financial statements.
[2] EBIT/revenue.

Revenue surpasses prior-year level

Thanks to the good performance of our parcel business, division revenue rose 2.5% to €15,484 million in the reporting period (previous year: €15,108 million). Its revenue for the fourth quarter was up 2.4% compared with the prior-year period.

Moderate revenue decline in the Post business unit

In the Post business unit, revenue was €9,640 million in the year under review and thus 1.2% below the prior-year level of €9,760 million. Volumes declined by 2.5%. Fourth-quarter revenue declined 1.0% to €2,600 million.

As expected, Mail Communication volumes remained in decline due to progressive electronic substitution. However, the postage rate increase that took effect on 1 July 2019 meant that revenue for the year as a whole only registered a moderate decline.

In the Dialogue Marketing business, activities are shifting increasingly to online media. Although we have taken steps to increase sales to e-commerce businesses, the measures implemented were unable to fully compensate for the declines in revenue and volumes.

E-commerce brings further growth in the Parcel business unit

Revenue in our Parcel business unit was €6,073 million in the reporting period, an increase of 9.3% on the prior-year figure. Growth in the fourth quarter amounted to 7.7%. Sustained growth in e-commerce was responsible for the rise in volumes of 5.9% to 1,567 million items in the reporting period and 3.9% to 449 million items in the fourth quarter. The fact that revenue growth outpaced volume growth is attributable to price increases.

Post & Parcel Germany: revenue

€m	2018 adjusted[1]	2019	+/–%	Q4 2018 adjusted[1]	Q4 2019	+/–%
Post	9,760	9,640	–1.2	2,626	2,600	–1.0
of which Mail Communication	6,329	6,278	–0.8	1,703	1,692	–0.6
Dialogue Marketing	2,205	2,130	–3.4	602	572	–5.0
Other/Consolidation Post	1,226	1,232	0.5	321	336	4.7
Parcel	5,556	6,073	9.3	1,627	1,753	7.7

[1] Note 9 to the consolidated financial statements.

Post & Parcel Germany: volumes

Mail items (millions)	2018 adjusted[1]	2019	+/–%	Q4 2018 adjusted[1]	Q4 2019	+/–%
Post	17,820	17,367	–2.5	4,761	4,633	–2.7
of which Mail Communication	7,709	7,450	–3.4	2,068	1,944	–6.0
Dialogue Marketing	8,417	8,197	–2.6	2,235	2,224	–0.5
Parcel	1,479	1,567	5.9	432	449	3.9

[1] Note 9 to the consolidated financial statements.

Significant EBIT improvement compared to prior year with one-time effects

EBIT in the division improved significantly in 2019, rising from €683 million in the prior year to €1,230 million. Earnings for the previous year had been heavily impacted by non-recurring expenses for the early retirement programme for civil servants and by restructuring measures amounting to €502 million. However, the prior-year figure also included a positive non-recurring effect of €108 million from the remeasurement of pension obligations. In the reporting period, income of €234 million resulted from the remeasurement of pension obligations, offset by additional restructuring costs in the same amount. Return on sales for the reporting period rose from 4.5% to 7.9%. The Post & Parcel Germany division generated EBIT of €522 million in the fourth quarter of 2019 (previous year: €372 million). The prior-year figure included restructuring expenses totalling €59 million. The fourth quarter of 2019 additionally saw net income of €144 million from the remeasurement of pension obligations, although this was offset by additional restructuring costs in the same amount. Operating cash flow rose to €1,137 million in the reporting period, due mainly to the good operating performance of working capital.

EXPRESS DIVISION

Key figures, Express

€m

	2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Revenue	16,147	17,101	5.9	4,423	4,643	5.0
of which Europe	7,245	7,650	5.6	1,972	2,096	6.3
Americas	3,296	3,599	9.2	913	985	7.9
Asia Pacific	5,740	6,097	6.2	1,585	1,659	4.7
MEA (Middle East and Africa)	1,142	1,229	7.6	300	320	6.7
Consolidation/Other	–1,276	–1,474	–15.5	–347	–417	–20.2
Profit from operating activities (EBIT)	1,957	2,039	4.2	570	611	7.2
Return on sales (%)[1]	12.1	11.9	–	12.9	13.2	–
Operating cash flow	3,073	3,291	7.1	905	970	7.2

[1] EBIT/revenue.

Express: revenue by product

€m per day[1]

	2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Time Definite International (TDI)	48.8	51.0	4.5	53.2	55.1	3.6
Time Definite Domestic (TDD)	4.4	4.8	9.1	4.9	5.2	6.1

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

Express: volumes by product

Thousands of items per day

	2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Time Definite International (TDI)	955	1,009	5.7	1,044	1,100	5.4
Time Definite Domestic (TDD)	492	531	7.9	546	588	7.7

International business shows stable growth

Revenue in the division improved by 5.9% to €17,101 million in the reporting year (previous year: €16,147 million). This figure includes foreign currency gains of €281 million; excluding these gains, the revenue increase was 4.2%. The revenue figure also reflects the fact that fuel surcharges were higher in all regions compared with the previous year. Excluding currency effects and fuel surcharges, revenue was up by 3.5%.

In the Time Definite International (TDI) product line, revenues per day increased by 4.5% and per-day shipment volumes by 5.7% in the reporting period. Fourth-quarter revenues per day were up by 3.6% and per-day shipment volumes by 5.4%.

In the Time Definite Domestic (TDD) product line, revenues per day increased by 9.1% and per-day shipment volumes by 7.9% in the reporting period. Fourth-quarter growth amounted to 6.1% for revenues per day and 7.7% for per-day volumes.

Sustained momentum in Europe region

Revenue in the Europe region increased by 5.6% in the year under review to €7,650 million (previous year: €7,245 million). That figure includes foreign currency gains of €5 million. Excluding currency effects, revenue increased by 5.5%. In the TDI product line, revenues per day rose by 4.8% and per-day TDI shipment volumes by 7.8% in the reporting period. International revenues per day for the fourth quarter were up by 4.6% and per-day shipment volumes by 7.9%.

Strong fourth-quarter volume growth in the Americas region

Revenue in the Americas region increased by 9.2% in the year under review to €3,599 million (previous year: €3,296 million). The revenue figure includes foreign currency gains of €95 million. Revenue growth excluding currency effects was 6.3%. In the TDI product line, revenues per day were up 4.5% in 2019 and per-day shipment volumes improved by 5.4%. In the fourth quarter, revenues per day increased by 3.9% and per-day shipment volumes were up a strong 8.7%.

Business in the Asia Pacific region remains stable
Revenue in the Asia Pacific region increased by 6.2% in the year under review to €6,097 million (previous year: €5,740 million). That figure includes foreign currency gains of €140 million. Excluding currency effects, revenue increased by 3.8%. In the TDI product line, revenues per day improved by 4.1% and per-day volumes by 3.7%. Growth in the fourth quarter amounted to 2.3% for revenues per day and 2.4% for per-day volumes.

Revenue increases in the MEA region
Revenue in the MEA region (Middle East and Africa) improved by 7.6% in the year under review to €1,229 million (previous year: €1,142 million). The revenue figure includes foreign currency gains of €35 million. Revenue growth excluding currency effects was 4.6%. In the TDI product line, revenues per day were up by 5.5% and per-day volumes by 2.9%. In the fourth quarter of 2019, international revenues per day were up by 4.6% and per-day shipment volumes declined by 4.1%.

Earnings improve at accelerated pace
Division EBIT was up 4.2% in financial year 2019 to €2,039 million (previous year: €1,957 million). Return on sales was 11.9% (previous year: 12.1%). EBIT growth accelerated in the fourth quarter of 2019 with a rise to 7.2% and return on sales increased from 12.9% to 13.2%. Operating cash flow amounted to €3,291 million in the year under review (previous year: €3,073 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures, Global Forwarding, Freight

€m

	2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Revenue	14,978	15,128	1.0	4,002	3,854	–3.7
of which Global Forwarding[1]	10,668	10,680	0.1	2,884	2,724	–5.5
Freight[1]	4,453	4,565	2.5	1,155	1,160	0.4
Consolidation/Other	–143	–117	18.2	–37	–30	18.9
Profit from operating activities (EBIT)	442	521	17.9	161	173	7.5
Return on sales (%)[2]	3.0	3.4	–	4.0	4.5	–
Operating cash flow	523	801	53.2	286	386	35.0

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

Global Forwarding: revenue

€m

	2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Air freight	4,924	4,772	–3.1	1,372	1,265	–7.8
Ocean freight	3,503	3,604	2.9	929	871	–6.2
Other[1]	2,241	2,304	2.8	583	588	0.9
Total[1]	**10,668**	**10,680**	**0.1**	**2,884**	**2,724**	**–5.5**

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

Global Forwarding: volumes

Thousands

		2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Air freight	tonnes	3,806	3,626	–4.7	1,000	969	–3.1
of which exports	tonnes	2,150	2,051	–4.6	571	552	–3.3
Ocean freight	TEU[1]	3,225	3,207	–0.6	824	795	–3.5

[1] Twenty-foot equivalent units.

Gross profit up on prior year

Revenue in the division increased by 1.0% in the year under review to €15,128 million (previous year: €14,978 million). Excluding foreign currency gains of €125 million, revenue remained at the prior year level. Fourth-quarter revenue declined by 3.7% to €3,854 million.

In the Global Forwarding business unit, revenue was €10,680 million in the year under review and thus on a level with the prior-year period (€10,668 million). Adjusted for currency gains of €146 million, revenue declined by 1.3%. Gross profit was up 1.5% to €2,524 million (previous year: €2,487 million). Gross profit is defined as revenue from transport or other services less directly attributable costs, which include transport costs for air and ocean freight, road and rail transport, expenses for commissions, insurance and customs clearance, and other revenue-related expenses.

Improved air freight margins and solid project business

Air freight volumes decreased by 4.7% in the reporting year, due mainly to declining market volumes on key trade lanes. As a consequence, air freight revenues also declined, posting a decrease of 3.1%. Despite the volume decline, gross profit from air freight increased slightly by 0.7% thanks to better margins. Air freight revenues for the fourth quarter declined by 7.8%. Air freight volumes were down 3.1% in the fourth quarter, and gross profit fell 6.7%.

Ocean freight volumes for the year under review were down 0.6% year-on-year. Ocean freight revenues rose by 2.9%, whilst gross profit declined by 3.0%. In the fourth quarter, ocean freight revenues decreased by 6.2%. Gross profit also fell below the prior-year level in the fourth quarter, with a decrease of 5.2% amidst volume declines of 3.5%.

Our industrial project business (reported in the “Global Forwarding: revenue” table as part of Other in the Global Forwarding business unit) performed significantly better than in the previous year. The share of revenue related to industrial project business, which is reported under Other, increased from 30.0% in the prior year to 34.3% in the year under review. Gross profit for industrial projects improved by 33.6%.

Revenue increase in European overland transport business

In the Freight business unit, revenue rose by 2.5% to €4,565 million in the year under review (previous year: €4,453 million) despite negative currency effects of €21 million. The 8.4% volume growth was driven mainly by B2C business in Sweden and less-than-truckload business in the Czech Republic and Poland. The business unit’s gross profit rose by 3.0% to €1,150 million (previous year: €1,117 million).

EBIT up sharply

Divisional EBIT increased significantly by 17.9% in 2019, rising from €442 million to €521 million. The increase was due mainly to improvements in project business and cost measures. Return on sales rose from 3.0% to 3.4%. EBIT for the fourth quarter of 2019 improved from €161 million to €173 million and return on sales rose to 4.5%. Operating cash flow amounted to €801 million in the year under review (previous year: €523 million).

SUPPLY CHAIN DIVISION

Key figures, Supply Chain

€m

	2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Revenue	13,350	13,436	0.6	3,743	3,571	–4.6
of which EMEA (Europe, Middle East and Africa)	6,871	6,708	–2.4	1,824	1,750	–4.1
Americas	4,385	4,759	8.5	1,352	1,324	–2.1
Asia Pacific	2,147	1,992	–7.2	578	502	–13.1
Consolidation/Other	–53	–23	56.6	–11	–5	54.5
Profit from operating activities (EBIT)	520	912	75.4	184	177	–3.8
Return on sales (%)[1]	3.9	6.8	–	4.9	5.0	–
Operating cash flow	1,322	1,330	0.6	936	809	–13.6

[1] EBIT/revenue.

Supply Chain: revenue by sector and region, 2019

Total revenue: €13,436 million

of which Retail	28%
Consumer	24%
Auto-mobility	16%
Technology	14%
Life Sciences & Healthcare	10%
Engineering & Manufacturing	6%
Others	2%
of which Europe/Middle East/Africa/Consolidation	50%
Americas	35%
Asia Pacific	15%

Increased revenue despite sale of China business

Revenue in the division was up by 0.6% to €13,436 million in the reporting period (previous year: €13,350 million), due in particular to the good business performance in the Americas region. Currency gains additionally contributed €268 million to revenue growth. This positive effect was offset by portfolio changes, mainly comprising the sale of our Supply Chain business in China in the first quarter. Excluding these effects, revenue growth came to 1.5% in the reporting period. Fourth-quarter revenue decreased by 4.6% to €3,571 million (previous year: €3,743 million) The year-on-year decline was due to higher income recognised in the prior year from the sale of real estate.

In the Americas and Asia Pacific regions, volumes grew in nearly all sectors after adjusting for the sale of the Supply Chain business in China. In the EMEA region, the Engineering & Manufacturing sector registered the highest revenue growth.

New business worth €1,212 million secured

In 2019, the division concluded additional contracts worth €1,212 million in annualised revenue with both new and existing customers. The Retail and Consumer sectors accounted for the majority of the new business acquired, of which 23% is attributable to e-fulfilment. The annualised contract renewal rate remained at a consistently high level.

Solid business performance leads to earnings growth

EBIT in the division was €912 million in the year under review (previous year: €520 million). Earnings were impacted positively by net proceeds of €426 million from the sale of the Chinese business in the first quarter. The rise in EBIT was offset by non-recurring expenses of €151 million in the reporting period. In the previous year, EBIT had been impacted by non-recurring expenses of €50 million from customer contracts and €42 million from pension obligations. Excluding these one-off effects, EBIT was up 4.1% in 2019 thanks to growth in nearly all regions. Return on sales was 6.8% (previous year: 3.9%). Operating cash flow amounted to €1,330 million in the year under review (previous year: €1,322 million). EBIT for the fourth quarter of 2019 amounted to €177 million (previous year: €184 million). Return on sales for the fourth quarter was 5.0% (previous year: 4.9%).

ECOMMERCE SOLUTIONS DIVISION

Key figures, eCommerce Solutions

€m

	2018	2019	+/–%	Q4 2018	Q4 2019	+/–%
Revenue	3,834	4,045	5.5	1,065	1,087	2.1
of which Americas	1,064	1,153	8.4	304	319	4.9
Europe	2,216	2,307	4.1	608	611	0.5
Asia	560	586	4.6	155	159	2.6
Other/Consolidation	–6	–1	83.3	–2	–2	0.0
Profit/loss from operating activities (EBIT)	–27	–51	–88.9	–6	–11	–83.3
Return on sales (%)[1]	–0.7	–1.3	–	–0.6	–1.0	–
Operating cash flow	159	161	1.3	105	33	–68.6

[1] EBIT/revenue.

Revenue increases despite portfolio streamlining
The eCommerce Solutions division generated revenue of €4,045 million in the reporting period, a rise of 5.5% on the prior-year figure of €3,834 million. All regions contributed to the increase, which was achieved despite the limited portfolio streamlining measures taken. Revenue in the Americas region rose by 8.4% to €1.153 million (previous year: €1.064 million). In the Europe region, revenue grew by 4.1% to €2,307 million (previous year: €2,216 million). In the Asia region, revenue exceeded the prior-year figure by 4.6% to reach €586 million in the reporting period. Excluding foreign currency gains of €77 million, the total year-on-year revenue increase came to 3.5% in the reporting period. In the fourth quarter of 2019, division revenue was up by 2.1% to €1,087 million (previous year: €1,065 million).

EBIT declines due to restructuring expenses
Division EBIT declined to €–51 million in the reporting period (previous year: €–27 million), due primarily to restructuring expenses in a net amount of €80 million. The expenses were incurred for portfolio optimisation, overhead reductions and loss allowances, amongst other things. Return on sales therefore remained negative at –1.3% (previous year: –0.7%). Operating cash flow was up slightly on the prior-period to reach €161 million. EBIT for the fourth quarter of 2019 was €–11 million (previous year: €–6 million). Return on sales amounted to –1.0% in the fourth quarter (previous year: –0.6%).

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 annual 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. In financial year 2019, 46 DHL Delivery regional companies were merged with Deutsche Post AG, thus transferring parcel delivery activities back to Deutsche Post AG.

Opportunities and risks

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, Opportunities and risks, page 63 ff. The Post & Parcel Germany division essentially constitutes Deutsche Post AG's core business. The Group's DHL divisions have an indirect influence on Deutsche Post AG through net investment income.

Employees

The number of full-time equivalents at Deutsche Post AG at the reporting date was 156,989 (previous year: 145,628). The key driver of this increase were the merger of the DHL Delivery regional companies with Deutsche Post AG and the subsequent absorption of their employees in 2019.

Results of operations

Revenue grew by a total of €604 million (4.2%) year-on-year, which was mainly due to higher revenue in the Parcel business unit. In the Post business unit, revenue was €9,010 million in the reporting year, 1.6% below the prior-year figure of €9,160 million. €5,173 million (previous year: €5,153 million) of this revenue was attributable to Mail Communication, €2,013 million (previous year: €2,087 million) to Dialogue Marketing and €1,824 million (previous year: €1,920 million) to other services. The postage increase effective as of 1 July 2019 influenced the development of Mail Communication. Revenue in our Parcel business unit was €4,913 million in the reporting period, an increase of 16.6% on the prior-year figure of €4,213 million. Factors here were an increase in volumes as well as the merger of the DHL Delivery regional companies with Deutsche Post AG.

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

€m

	2018	2019
Revenue	14,353	14,957
Other own work capitalised	47	32
Other operating income	562	625
	14,962	**15,614**
Materials expense	−4,897	−4,949
Staff costs	−8,046	−8,374
Amortisation of intangible assets and depreciation of property, plant and equipment	−274	−310
Other operating expenses	−1,631	−1,861
	−14,848	**−15,494**
Financial result	**1,000**	**2,215**
Taxes on income	**−155**	**−85**
Result after tax / Net profit for the period	**959**	**2,250**
Retained profits brought forwards from previous year	**4,694**	**4,234**
Net retained profit	**5,653**	**6,484**

Other operating income increased by €63 million, or 11.2%, year-on-year.

The materials expense item rose by €52 million, mainly on account of an increase in the cost of purchased services for transport services for letters and parcels. Staff costs increased by €328 million year-on-year. This was due to the merger of the DHL Delivery regional companies with Deutsche Post AG retroactively to 1 January 2019 and the subsequent absorption of their employees.

Depreciation rose by €36 million, attributable chiefly to technical equipment and machinery.

The increase in other operating expenses by €230 million stemmed mainly from higher service level agreements (€61 million) and higher currency translation expenses (€52 million).

The financial result in the amount of €2,215 million (previous year: €1,000 million) comprises net investment income of €2,581 million and net interest expense of €–366 million. The change in the financial result is mainly due to the €746 million increase in income from profit transfer agreements attributable to Deutsche Post Beteiligungen Holding GmbH and the improvement in net interest expense by €413 million, which was due largely to higher income from cover assets.

After deducting taxes on income of €85 million (previous year: €155 million), net profit for the period totalled €2,250 million (previous year: €959 million). Including retained profits brought forwards, net retained profit for the period amounted to €6,484 million (previous year: €5,653 million).

Net assets and financial position

Total assets up

Total assets rose to €38,315 million at the balance sheet date (previous year: €36,864 million).

Non-current assets increased from €18,839 million to €19,169 million, with investments in property, plant and equipment totalling €384 million (previous year €479 million) and relating primarily to land and buildings (€100 million); other equipment, operating and office equipment (€94 million) as well as advance payments and assets under development (€134 million). In addition to investments in mail and parcel centres and conveyor and sorting systems, other capital expenditure related to the electric vehicle fleet. Due to higher loans to affiliated companies, non-current financial assets rose by €250 million.

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

€m	2018	2019
ASSETS		
Non-current assets		
Intangible assets	201	178
Property, plant and equipment	3,106	3,209
Non-current financial assets	15,532	15,782
	18,839	**19,169**
Current assets		
Inventories	64	66
Receivables and other assets	15,307	17,471
Securities	807	8
Cash and cash equivalents	1,601	1,315
	17,779	**18,860**
Prepaid expenses	**246**	**286**
TOTAL ASSETS	**36,864**	**38,315**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	1,237	1,237
Treasury shares	–4	–1
Issued capital	**1,233**	**1,236**
(Contingent capital: €158 million)		
Capital reserves	4,612	4,618
Revenue reserves	4,395	4,457
Net retained profit	5,653	6,484
	15,893	**16,795**
Provisions	**5,138**	**4,889**
Liabilities	**15,776**	**16,568**
Deferred income	**57**	**63**
TOTAL EQUITY AND LIABILITIES	**36,864**	**38,315**

Current assets grew by €1,081 million, which was largely due to an increase in receivables from affiliated companies of €1,847 million and a decrease in securities of €799 million.

Equity was up €15,893 million in the previous year to €16,795 million. The distribution to shareholders totalling €1,419 million from the prior-year profit was more than offset by the net profit for 2019 of €2,250 million. The increase in the capital reserves by €6 million and revenue reserves by €62 million is attributable to the commitment and settlement of shares for executive remuneration plans. In total, the equity ratio increased slightly from 43.1% in the previous year to 43.8% in the reporting period.

Provisions decreased by €249 million year-on-year. Provisions for pensions and similar obligations increased by €100 million. In contrast, provisions for taxes (€202 million) and other provisions (€147 million) were lower.

Liabilities increased by €792 million to €16,568 million. The increase in liabilities to affiliated companies in the amount of €657 million stood in contrast to lower amounts due to banks (€200 million). The increase in other liabilities of €272 million resulted mainly from the implementation of early retirement programmes.

Decrease in cash funds

Deutsche Post AG's cash funds declined by €286 million to €1,315 million in financial year 2019.

Debt

Deutsche Post AG's debt (provisions and liabilities) rose by €543 million to €21,457 million compared with the previous year. The increase is chiefly due to higher liabilities to affiliated companies (€657 million) in financial year 2019 and results from Group cash management (in-house banking).

Expected developments

Deutsche Post AG is included fully in the Group's international strategy and associated performance forecast. The Expected developments, page 61 ff., section also includes the expected developments for 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 financial year 2020, we anticipate a result for Deutsche Post AG that will enable a dividend payment compatible with our financial strategy.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Employees, customers and investors look increasingly to sustainability aspects such as climate change and environmental protection, social responsibility and corporate governance when deciding in favour of Deutsche Post DHL Group. The key performance indicators in these areas are presented below. Additional information is provided in the Sustainability Report, dpdhl.com/2019sustainabilityreport, which also includes the separate non-financial report.

Employees

Facing changes in the professional world

Digital transformation in the professional world is changing job descriptions as well as creating new fields of activity. We ensure that our employees are optimally prepared for new opportunities and changing requirements in their working environment and involve them in the process of change. This places particular demands on our managers, who follow defined leadership principles to give them the necessary foundation for creating a motivating working environment that fosters open communication and in which employees feel valued.

Selected results from the Employee Opinion Survey

Our annual Group-wide Employee Opinion Survey comprises 41 questions grouped into ten key performance indicators and one index. In the year under review, the results achieved were the same as or better than in the previous year in each survey category. The results also surpassed external benchmarks in nearly all cases. Our "Active Leadership" KPI exceeded the target for 2019 with a score of 78%, Forecast/actual comparison, page 34. The participation rate of 77% again clearly demonstrated the survey's high level of acceptance.

Selected results from the Employee Opinion Survey

%

	2018	2019
Response rate	76	77
Positive rating for Active Leadership KPI	76	78
Positive rating for Employee Engagement KPI	76	77

Number of employees stays stable

As at 31 December 2019, we employed 499,250 full-time equivalents, or approximately the same as in the previous year. The headcount was 546,924 at the end of the year. Female employees made up 34.4% of our global workforce, with 22.2% of all upper and mid-level management positions being held by women in 2019 (previous year: 22.1%).

The opportunity for part-time employment was taken by 17% of all employees (previous year: 18%). 9.0% of employees left the Group at their own request over the course of 2019 (previous year: 9.2%).

In the Post & Parcel Germany division, the number of employees declined in the reporting year due, in particular, to special effects such as the early retirement programme and productivity improvements, despite continued strong growth in parcel volumes and the creation of a number of new positions. In the Express division, the number of employees increased compared with the previous year due to higher shipment volumes. Thus most of the new hires were in operations. The headcount in the Global Forwarding, Freight division was nearly unchanged from the previous year. In the Supply Chain division, the number of employees grew because of additional business with both new and existing clients, despite the sale of our supply chain business in China. In the eCommerce Solutions division, the headcount decreased in all regions, mainly due to portfolio streamlining.

The number of employees rose in the Americas and the Other regions. Germany is still the region with the largest number of employees.

We offer our employees in Germany and certain neighbouring countries the opportunity to enrol in dual-study apprenticeship programmes consisting of in-house training combined with programmes at state vocational schools. In 2019, we offered approximately 2,000 positions in these apprenticeship and study programmes.

Our current planning foresees a slight increase in the number of employees in financial year 2020.

Employees in 2019

Year-end headcount, including trainees.

546,924

2018	Change
547,459	–0.1%

Number of employees

	2018	2019	+/–%
Full-time equivalents			
At year-end[1]	**499,018**	**499,250**	**0.0**
of which Post & Parcel Germany[2]	160,354	158,713	–1.0
Express	95,717	98,203	2.6
Global Forwarding, Freight	42,783	42,712	–0.2
Supply Chain	155,954	156,836	0.6
eCommerce Solutions[2]	31,883	30,335	–4.9
Corporate Functions	12,327	12,451	1.0
of which Germany	187,103	185,795	–0.7
Europe (excluding Germany)	118,745	117,748	–0.8
Americas	90,648	94,696	4.5
Asia Pacific	83,561	80,135	–4.1
Other regions	18,961	20,876	10.1
Average for the year[3]	**489,571**	**499,461**	**2.0**
Headcount			
At year-end[3]	**547,459**	**546,924**	**–0.1**
Average for the year	**534,370**	**544,282**	**1.9**
of which hourly workers and salaried employees	499,943	512,325	2.5
Civil servants	28,718	26,296	–8.4
Trainees	5,709	5,661	–0.8

[1] Excluding trainees. [2] Prior-period amounts adjusted due to new segment structure, note 9 to the consolidated financial statements. [3] Including trainees.

Performance-based and market-based pay

At €21,610 million, staff costs exceeded the prior-year figure of €20,825 million. Details can be found in note 14 to the consolidated financial statements.

We foster employee loyalty and motivation by offering performance-based pay in line with market standards, supplemented by contributions to defined benefit and defined contribution pension plans, amongst other benefits.

The collective agreement concluded in 2018 gave those Deutsche Post AG employees who are covered by the agreement the opportunity to choose between a pay rise and additional time off (for the first time in October 2018 and again in October 2019). As at 31 December 2019, 16.9% of our covered employees had selected the option to take more time off, giving them up to 13 additional days off per year.

Further details on remuneration components can be found in our Sustainability Report, dpdhl.com/2019sustainabilityreport.

Responding to demographic change

We have concluded a Generations Pact with the trade unions in response to demographic change in Germany and for the purpose of ensuring an ageing-friendly workplace. Effective as of 1 March 2019, the conditions for partial retirement as set forth in the Pact were improved significantly. The Generations Pact enables employees to reduce their working hours from the age of 55 onward. A total of 28,444 of our non-civil servant employees maintain a working time account in line with this proven model and 4,929 are already in partial retirement. Since 2016, we have also been offering comparable arrangements for civil servants, 4,172 of whom have established a lifetime working account and 1,322 of whom have entered partial retirement.

An early retirement programme initiated in the previous year and aimed chiefly at civil servants in overhead areas in the Post & Parcel Germany division was continued during the year under review. The main requirement for taking part in the engaged retirement programme is that the civil servant be working in an area with a surplus of personnel and that there is no option for employment elsewhere in the company or in federal administrative organisations. Moreover, there may be no operational or business-related objections to placement in the programme. The civil servant must also commit to performing volunteer work within the first three years of commencing retirement.

Safety and health

Strengthening a safety-first culture

In the area of safety and health, our focus lies on systematic prevention. That's why one of the goals of our Strategy 2025 is to reinforce a safety-first culture throughout the Group. The requirements for a safety-first culture are described in detail in our Occupational Health & Safety Policy Statement.

Workplace accidents

	2018	2019
Accident rate (number of accidents per 200,000 hours worked)	4.3	4.2
Working days lost per accident	15.8	16.5
Number of fatalities due to workplace accidents	8	3
of which as a result of traffic accidents	3	1

Most accidents occur in connection with pick-up and delivery. In the year under review, the Group's accident rate fell slightly. We report on our occupational safety initiatives and targets and present the accident data for the divisions and regions in more detail in our Sustainability Report, dpdhl.com/2019sustainabilityreport.

Bolstering health
We foster our employees' awareness of a healthy lifestyle through health-related projects and local initiatives. During the reporting period, stress management and dealing with mental health issues were again topics of focus. Our Group-wide employee benefits programme also enables employees outside of Germany to enjoy primary or supplementary health insurance benefits. The Group's worldwide illness rate was 5.3% in 2019, or approximately the same as in the prior year. We report in detail on the illness rates in our divisions and regions in our Sustainability Report, dpdhl.com/2019sustainabilityreport.

Sustainability

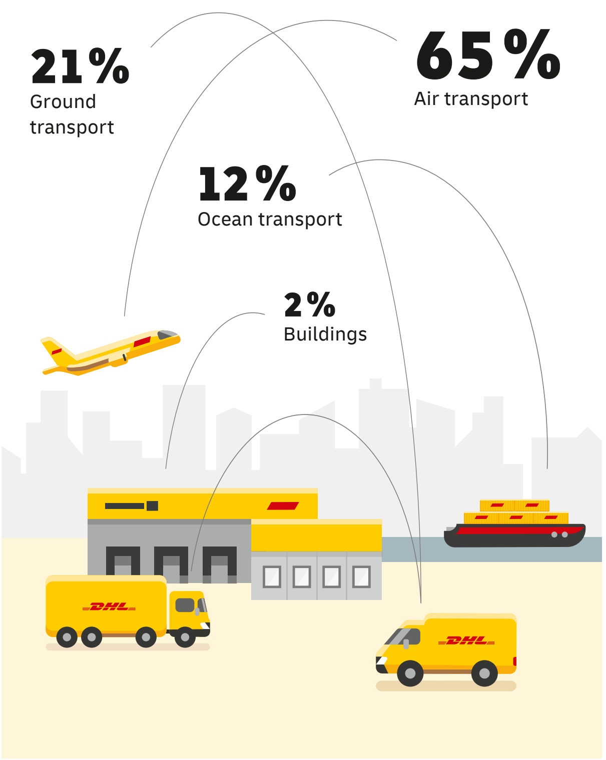
Commitment to shared values
We conduct our business in accordance with applicable laws, ethical principles and ecological standards, and international guidelines. Through ongoing dialogue with our stakeholders, we ensure that their expectations as regards social and environmental issues are accounted for appropriately and that our business is aligned systematically with those interests.

We use our expertise as a mail and logistics services group for the benefit of society and the environment. For example, we provide logistical support following natural disasters, prepare airports for such scenarios, help to improve career opportunities for young people and support our employees' local projects.

Our initiatives to increase CO_2 efficiency and our environmentally friendly product range enable us to uphold our responsibility for the environment whilst strengthening our own market position. In the year under review, we focussed on further increasing the share of electric vehicles in our fleet in Germany and in our non-German fleet.

CO_2e emissions, 2019

Total: 28.95 million tonnes[1]



[1] Scope 1 to 3 (previous year, adjusted: 29.46 million tonnes)

Efficiency target exceeded
We use a carbon efficiency index (CEX) to measure and manage our greenhouse gas efficiency, Management, page 16. In 2019, our direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions amounted to 6.59 million tonnes of CO_2e (previous year: 6.57 million tonnes of CO_2e). The indirect greenhouse gas emissions (Scope 3) of our transport subcontractors came to 22.36 million tonnes of CO_2e (previous year, adjusted: 22.89 million tonnes of CO_2e).

Amongst other things, we have set ourselves the environmental target of improving our CEX score by 50% with respect to the 2007 base year by 2025. In 2019, we succeeded in improving CEX by two index points to 35%, Forecast/actual comparison, page 34. This development was achieved primarily through improvements in the Global Forwarding, Freight division's ocean freight business and road transport, and the Supply Chain division's road transport. Using green electricity at the sites of the Express and Supply Chain divisions also contributed to the result. Detailed information on our carbon efficiency trend and on our environmental activities and targets is included in our Sustainability Report, dpdhl.com/2019sustainabilityreport.

Energy consumption in company fleet and company buildings

Million kWh

	2018	2019
Consumption by fleet		
Air transport (jet fuel)	18,598	19,032
Road transport (petrol, biodiesel, diesel, bio-ethanol, LPG)	4,592	4,442
Road transport (biogas, CNG, LNG)	53	45
Consumption for buildings and facilities (including electric vehicles)	3,194	3,139

Quality

Delivering mail and parcels quickly and reliably
According to surveys conducted by Quotas, a quality research institute, around 92% of all domestic letters posted in Germany during daily opening hours at our retail outlets or before final collection were delivered to their recipients the very next day in 2019. Around 99% reached their recipients within two days. This puts us well above the legally required levels of 80% (D+1) and 95% (D+2). The Quotas measurement system is audited and certified each year by TÜV. For international letters, transit times are calculated by the International Post Corporation. We are part of a group of leading postal enterprises working to improve transit times across postal networks.

Around
92% D+1
of all domestic letters within Germany are delivered the very next day.

In the parcel business, around 83% of all items reached their recipients the next working day in the year under review. This figure reflects parcels collected from business customers that were delivered on the following day. Our internal system for measuring parcel transit times has been certified by TÜV since 2008.

In the interest of enhancing customer service given the steady rise in parcel numbers, we invest continuously in improving the performance of our parcel network to ensure the continued reliability of our delivery services. For example, we successfully commissioned our 36th parcel centre on the grounds of the former Opel factory in Bochum during the reporting period. Once the parcel centre reaches full operating capacity, it will be able to process up to 50,000 parcels per hour. Another new parcel centre is being built in Ludwigsfelde on the outskirts of Berlin and go into operation in 2021.

Our approximately 26,000 sales points were open for an average of 55 hours per week in the year under review (previous year: 54 hours). The annual survey conducted by *Kundenmonitor Deutschland*, the largest consumer survey in Germany, showed a high acceptance level for our exclusively partner-operated retail outlets: 94.5% of customers were satisfied with our quality and service (previous year: 94.3%). In addition, impartial mystery shoppers from Kantar TNS (formerly TNS Infratest) tested the postal outlets in retail stores approximately 24,000 times over the year. The result showed that 94.2% of customers were served within three minutes (previous year: 93.5%).

94.5%
satisfied customers according to *Kundenmonitor Deutschland.*

Our environmental performance is another key quality indicator for us, as described in our **Sustainability Report, dpdhl.com/2019sustainabilityreport.** In terms of electromobility – an area of strategic importance for us – we put around 2,500 e-vehicles and nearly 1,500 of the e-bikes into operation in the reporting period.

Around
2,500
e-vehicles put into operation 2019.

Express business: service quality and an insanely customer centric culture
As a global network operator working with standardised processes, we are constantly optimising our services to enable us to keep our commitments to customers. We therefore keep an eye on our customers' ever-changing requirements, for example through our Insanely Customer Centric Culture programme and as part of implementing the Net Promoter approach. Our managers speak personally to customers in order to translate customer criticism into continuous improvements. The MyDHL+ portal and the Small Business Solutions section on our website are especially useful for small and medium-sized business customers, providing them with comprehensive shipping information and enabling them to ship their goods with ease.

Our European Key Account Support service provides our international customers in Europe with a central point of contact. Upon request, shipment information can even be updated directly in their systems.

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

Our On Demand Delivery service has been available in more than 110 countries and 46 languages since the reporting period. We also expanded our Paketbox network to around 13,000 Service Point Lockers worldwide.

We conduct regular reviews of operational safety, compliance with standards and service quality at our facilities in co-operation with government authorities. Approximately 360 locations, more than 100 of which are in Asia, have been certified by the security organisation Transported Asset Protection Association (TAPA). This makes us a leader in this area. Since 2010, we have been certified according to the ISO 9001:2008 global standard. In 2018, we succeeded in achieving certification according to the current ISO 9001:2015 standard. In addition, we have maintained our certification in specific regions and countries in the areas of environmental protection and energy management, as described in our **Sustainability Report, dpdhl.com/2019sustainabilityreport.**

Approximately

360

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

Systematic customer feedback in the forwarding business

We continuously improve our performance in the Global Forwarding business unit based upon customer feedback, which we record systematically in the form of a Net Promoter approach. Some 40 continuous improvement projects and more than 1,700 problem-solving workshops were implemented in the reporting period. Customers benefitted from notable improvements in workflows, punctuality, reporting and invoicing as a result. We also monitor operating performance on an ongoing basis and make any necessary adjustments through regularly occurring initiatives such as performance dialogues.

In the Freight business unit, we again sought feedback from our customers in more than thirty countries in 2019. Based upon the information received, we defined more than 200 initiatives aimed at steadily improving our products and services. Our freight quotation tool and our online customer portal have made us more available to customers. We also made additional improvements to end-to-end service quality throughout our network.

Quality leader in contract logistics

We continuously build upon our position as a quality leader in contract logistics. Our Operations Management System First Choice assists us in this by ensuring that we either meet or exceed our customers' quality expectations. As part of our operations excellence programme, a service quality KPI routinely measures how well our locations meet defined operating standards.

The survey methodology we use to continuously measure customer loyalty and satisfaction is based upon the Net Promoter approach. The programme was rolled out globally and encompasses a significant part of our business. In the year under review, the scores measured improved substantially. In fact, the follow-up survey conducted with each individual customer proved to have a huge impact on satisfaction and loyalty.

In addition, we increasingly offer our customers sustainable solutions. One example of this is warehouse management on a renewable energy basis.

We continuously build upon our position as a quality leader in contract logistics.

eCommerce Solutions division: satisfied customers and high level of delivery reliability

For us, customer satisfaction in the B2B and B2C sectors is the most important indicator of success in the markets in which we operate. In 2019, we succeeded in significantly increasing delivery reliability in most of the countries in which we have operations, such as the United States and India, and the Asia Pacific region. We were also able to provide and further boost the quality levels we promise our major customers in Europe. Our customer satisfaction rate for cross-border services in this region is 95%.

In the United States, our commitment to quality and reliability won us new, high-end clients. We are certain that, even in a challenging economic environment, our high level of delivery reliability (over 97% in the reporting period) will continue to provide excellent opportunities for growth in the future.

Despite challenging geographical features and a sometimes difficult infrastructure situation, we were able to improve delivery reliability in India by around 10%. Our overall delivery reliability in the Asia-Pacific region was 96% to 98% in 2019.

We work continuously to maintain our quality at a very high level and to achieve outstanding customer satisfaction ratings. In this way, we are fulfilling our aspiration of being the quality leader in all of our markets.

Brands

Brand architecture

Group	**Deutsche Post DHL Group**					
Divisions	Post & Parcel Germany		Express	Global Forwarding, Freight	Supply Chain	eCommerce Solutions
Brands	Deutsche Post	DHL	DHL	DHL	DHL	DHL

Value of Group brands remains stable

According to independent studies, the value of the Deutsche Post and DHL brands has remained relatively stable for years.

The DHL brand was valued at US$16.6 billion in the reporting year by the market research institute Kantar Millward Brown (previous year: US$20.6 billion). This is approximately the same as the average level for the past five years. The annual Interbrand rankings put the DHL brand at around US$6 billion, up from around US$5.9 billion in the prior year.

For the Deutsche Post brand, the consulting company Brand Finance calculated a value of €4.5 billion in 2019 (previous year: €3.6 billion). The Deutsche Post brand thus moved up to 20th place amongst the strongest German brands. The DHL brand was valued at €9.6 billion, putting it at No. 12 on the list.

50 years of DHL

The year 2019 was an anniversary for DHL, in which we could already look back upon half a century of successful DHL brand history. The commemorative activities included participating in Bryan Adams' 2019 “Shine A Light” world tour as the official logistics partner.

Digital brand management

Our new Brand Hub went live in 2019. The digital brand design platform enables efficient brand management across all regions, and the standardised interface helps employees save time and create on-brand designs. In response to our customers' wishes, we have adapted our brand design to the digital environment and given higher priority to emotional branding aspects.

Marketing expenditures, 2019

Volume: around €371 million

Product development and communication	50.4%
Other	28.5%
Public & customer relations	14.8%
Corporate wear	6.3%

EXPECTED DEVELOPMENTS

Overall assessment

We expect consolidated EBIT to reach more than €5.0 billion in financial year 2020. The Post & Parcel Germany division is expected to contribute more than €1.6 billion to Group EBIT. For the DHL divisions, we expect total EBIT to come to more than €3.7 billion. Corporate Functions is anticipated to contribute approximately €–0.35 billion to earnings. As from 28 February 2020 our earnings forecast excludes any effect induced by the as yet not fully quantifiable impact of the coronavirus on the Group and upon expenses arising from the decision to convert StreetScooter into an operator of the existing fleet. In line with the projected growth in EBIT, we expect that EAC will also increase in 2020. Free cash flow is expected to amount to around €1.4 billion, including the StreetScooter realignment and a payment of around €500 million for the renewal of the intercontinental Express fleet.

Forecast period

The information contained in the report on expected developments generally refers to financial year 2020.

Future economic parameters

Global economy feeling the effects of the coronavirus

The performance of the global economy this year will be heavily impacted by the effects of the coronavirus.

In its economic forecast dated 2 March 2020, the Organisation for Economic Co-operation and Development (OECD) expects global expansion to amount to only 2.4% in a best-case scenario. A broader spread of the disease in the Asia Pacific region and the industrialised countries would have an even more pronounced effect on the global economy, according to the OECD.

German parcel market expected to see sustained growth

The German market for paper-based mail communication will continue to register moderate declines as digital communication increases.

German advertising market volumes are likely to remain stable in 2020. Advertising budgets will continue to shift towards online media. The trend towards automated dialogue marketing campaigns is set to remain unchanged.

In the international mail business, increases in merchandise shipments are expected to largely compensate for declining volumes of small-format documents.

The German parcel market will continue to grow.

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 2020.

Air and ocean freight business dependent upon normalisation of freight flows

Growth rates, particularly in the core air and ocean freight business, are greatly dependent upon when and how rapidly the international transport of goods returns to normal.

We are anticipating lower volume growth in most European road transport markets in 2020. Prices are likely to increase moderately.

Contract logistics market continues to grow

The trend towards outsourcing warehousing and distribution is set to continue, as is demand for value-added logistics services. The growing demand for e-fulfilment solutions is expected to persist, with our customers being confronted with high order volatility throughout the year.

Projections indicate that the market for contract logistics will continue to experience steady growth of around 4% over the next five years.

Good growth prospects for eCommerce Solutions

Our eCommerce Solutions division is heavily dependent on local economic trends. We are confident our product portfolio and our focus upon quality and customer-centric solutions will lead to good growth rates overall, including in 2020.

Earnings forecast

Since the Chinese government introduced measures to contain the coronavirus, we have been consistently monitoring the volume development in our networks. In recent weeks, trade volumes have weakened, not only on the inbound and outbound China trade lanes but also in other regions in Asia and Europe; constraints on industrial production are expected to increase also outside of China.

The Group had seen a very good start into 2020 in January and was prepared for the usual effects around Chinese New Year in February when the measures of the Chinese government were introduced. Since then the business development in the Post & Parcel Germany, Supply Chain and eCommerce Solutions divisions has only been impacted marginally by the corona crisis. In contrast, we currently see more significant effects for the Global Forwarding business unit and the Express division, where the business is particularly affected with regards to cross-border trade flows into and out of China. Group-wide the negative impacts of the corona crisis on Group EBIT amount to around €60 million to €70 million for February, compared with the initial internal planning.

Implications for Deutsche Post DHL Group's results for full year 2020 will ultimately depend upon a series of factors, which in the phase of recovering production volumes could also have an offsetting positive effect. It currently cannot be concretely assessed, over which time horizon, in which divisions and to what extent, there will be negative effects, and how far these can be balanced by offsetting positive effects.

In case of a longer duration or a worsening of the current situation over several months, the negative effects for the Group are likely to outweigh the positives. The actual impact on earnings can only be determined after the situation has normalised.

Also against the background of the global economic uncertainties the Group decided to not further actively pursue the current exploratory talks regarding partnership options for the StreetScooter activities.

The conversion of StreetScooter into an operator of the current fleet is expected to result in a one-off expense of €300 million to €400 million outside of the company's core business for the current financial year. The impact on cash flow, however, will be limited.

The Board of Management is expecting consolidated EBIT to reach more than €5.0 billion in financial year 2020. The Post & Parcel Germany division is expected to contribute more than €1.6 billion to Group EBIT. For the DHL divisions, we expect total EBIT to come to more than €3.7 billion. Corporate Functions is anticipated to contribute approximately €–0.35 billion to earnings. As from 28 February 2020, our earnings forecast excludes any effect induced by the as yet not fully quantifiable impact of the coronavirus and upon the aforementioned expenses arising from the StreetScooter decision.

Our finance strategy continues to call for a dividend payout of 40% to 60% of net profit as a general rule. As part of that strategy, we have the option of adjusting reported net income for non-recurring items in the interests of dividend continuity where appropriate. We have also made the corresponding adjustment for financial year 2019 and intend to propose a dividend payout of €1.25 per share (previous year: €1.15 per share) to the shareholders at the Annual General Meeting to be held on 13 May 2020. The payout ratio in relation to adjusted net profit is thus 59.4%.

Expected financial position

No change in the Group's credit rating

In light of the earnings forecast for 2020, we expect our "FFO to debt" performance indicator to remain stable on the whole and do not expect the rating agencies to change our credit rating from the present level.

Liquidity to remain solid

We anticipate a reduction in our cash position in the first half of 2020 as a result of the annual pension-related prepayment due to the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency) as well as the dividend payment for financial year 2019 in May 2020. In addition, the payments not covered by borrowed funds to renew the intercontinental Express aircraft fleet will reduce liquidity. Our operating liquidity situation will improve again towards the end of the year due to the customary upturn in business in the second half of the year.

Capital expenditure of around €2.6 billion expected

In 2020, we plan to increase capital expenditure (excluding leases) to around €2.6 billion in support of our strategic objectives and further growth. The focus of capital expenditure will be similar to that of previous years. In addition, around €500 million will be spent on the renewal of the intercontinental Express fleet. This figure includes the as yet unquantifiable effects of the coronavirus and the realignment of StreetScooter.

Additional management indicators

Increase in EAC and free cash flow
In line with the projected growth in EBIT, we expect that EAC will also increase in 2020. EAC for the divisions is affected by the same factors that are described in the outlook for EBIT. However, our ongoing investing activities could result in EAC growth falling slightly short of EBIT growth. Free cash flow is expected to amount to around €1.4 billion, including a payment of around €500 million for the renewal of the intercontinental Express fleet. This figure also excludes the as yet unquantifiable effects of the coronavirus but does reflect the realignment of StreetScooter.

Focus shifts towards employee engagement
Part of developing our Strategy 2025 involves evaluating our concepts, in the context of which we determined that it is no longer expedient to focus upon just one aspect of the employee survey as a performance indicator. Instead, from 2020 onwards we will introduce employee engagement as a performance indictor and include it in calculating executive bonuses. Our goal is to reach a level of 80% approval across the Group by 2025. In 2020, the approval rate is expected to be 78%.

Further improving greenhouse gas efficiency
We expect the Group to continue improving its carbon footprint. Our CEX score is projected to increase by one index point during financial year 2020.

OPPORTUNITIES AND RISKS

Overall assessment

Identifying and swiftly capitalising upon opportunities and counteracting risks are important objectives for our Group. We already account for the anticipated impact of potential events and developments in our business planning. Opportunities and risks are defined as potential deviations from projected earnings. 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, page 41 f.

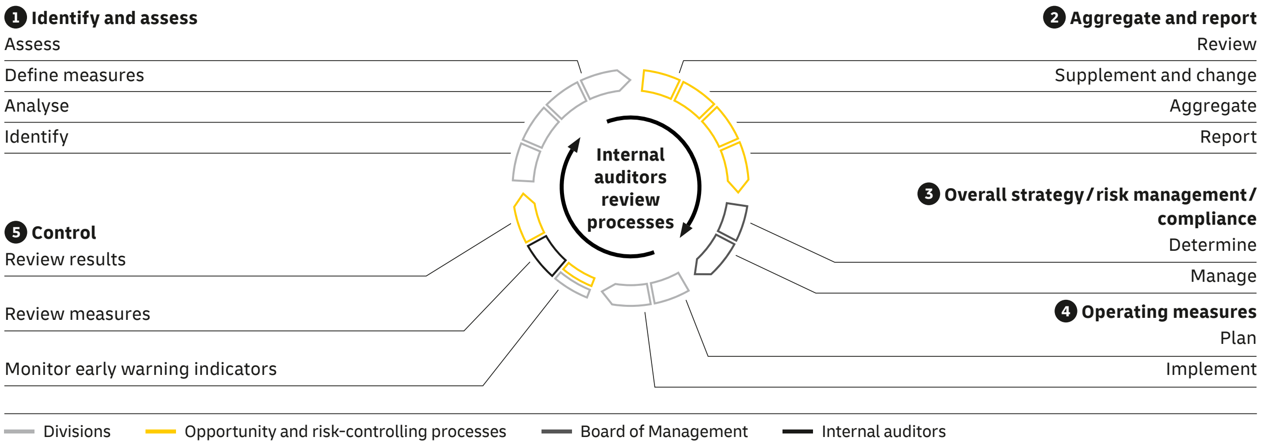
Opportunity and risk management

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

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

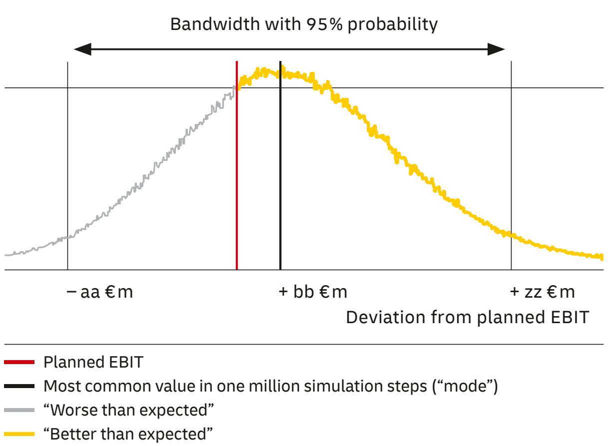
The simulation is a stochastic model that takes the probability of occurrence of the underlying risks and opportunities into consideration and is based upon the law of large numbers. One million randomly selected scenarios – one for each opportunity and risk – are combined on the basis of the distribution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

Opportunity and risk management process



Example Monte Carlo simulation

Frequency of occurrence
in one million simulation steps (incidence density)



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 one or more managers who assess and monitor the risk, specify possible procedures for going forwards and then file a report. The same applies to opportunities. The results are compiled in a database.
2. **Aggregate and report:** The controlling units collect the results, evaluate them and review them for plausibility. If individual financial effects overlap, this is noted in our database and taken into account in the compilation process. After being approved by the department head, all results are passed on to the next level in the hierarchy. The last step is complete when Corporate Controlling reports to the Group Board of Management on significant opportunities and risks as well as on the potential overall impact each division might experience. For this purpose, opportunities and risks are aggregated for 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.
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.
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 Internal Audit has the task of ensuring that the Board of Management's specifications are adhered to. It also reviews the quality of the entire opportunity and risk

management operation. The control units regularly analyse all parts of the process as well as the reports from Internal Audit and the independent auditors, with the goal of identifying potential for improvement and making adjustments where necessary.

Accounting-related internal control and risk management system

(Disclosures required under sections 289(4) and 315(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code) 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 ongoing 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 GAAP accounting policies 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 experts. 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.

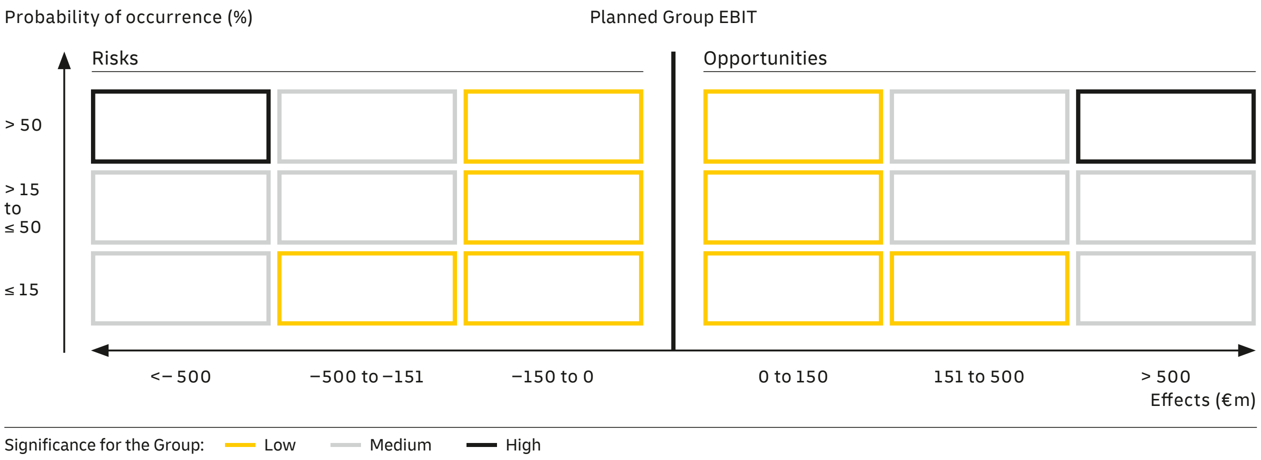
Over and above the ICS and risk management, Corporate Internal Audit is an essential component of the Group's control and monitoring system. Using risk-based auditing procedures, Corporate Internal Audit regularly examines the processes related to financial reporting and reports its results to the Board 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. All 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 table below. The following assessment scale is used:

Classification of risks and opportunities



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

Opportunities and risks are identified and assessed decentrally at Deutsche Post DHL Group. Reporting on possible deviations from projections, including latent opportunities and risks, occurs primarily at the country or regional level. In view of the degree of detail provided in the internal reports, we have combined the decentrally reported opportunities and risks into the categories shown below for the purposes of this report. It should be noted that the 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 and in the forecast period under observation (2020). The opportunities and risks generally apply to all divisions, unless indicated otherwise.

Categories of opportunities and risks

Opportunities and risks arising from political, regulatory or legal conditions

A number of risks arise primarily from the fact that the Group provides some of its services in 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 *Bundesnetzagentur* (German federal network agency) **Glossary, page 166** pursuant to the *Postgesetz* (PostG – German Postal Act) **Glossary, page 166.** The *Bundesnetzagentur* approves or reviews prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse. Revenue and earnings risk can arise in particular from the price cap procedure used to determine the rates for individual pieces of letter mail. The current rates approved in the price cap procedure are in effect until 31 December 2021.

The German federal government intends to amend the German Postal Act and its ordinances with the aim of ensuring quality good postal services, ensuring competition develops positively and reducing unnecessary regulation. On 1 August 2019, the German Federal Ministry of Economics and Energy published key points in this regard. The initiation of a legislative procedure for a new Postal Act is expected in the course of 2020. Depending upon the structure of the new regulatory framework, opportunities and risks may arise for the company's regulated areas.

Any significant risks arising from ongoing legal proceedings are described in **note 44 to the consolidated financial statements.** However, we do not see these proceedings as posing a risk of significant deviations from the projections for the 2020 forecast period.

The flow of goods and services is becoming more and more international, which entails a certain level of risk. As a globally operating logistics company, Deutsche Post DHL Group is subject to the import, export and transit regulations of more than 220 countries and territories whose foreign trade and customs laws must also be complied with. Not only has there been a steady increase in recent years in the number and complexity of such laws and regulations (including their extraterritorial application), but violations are also being pursued more aggressively by the competent authorities, with stricter penalties imposed. In response to this risk, we have implemented a Group-wide compliance programme. In addition to undertaking the legally prescribed check of senders, recipients, suppliers and employees against current embargo lists, the programme ensures, for example, that the legally required review of shipments is carried out for the purpose of enforcing applicable export restrictions as well as country sanctions and embargos. Deutsche Post DHL Group co-operates with the authorities responsible, both in working to prevent violations as well as in assisting in the investigation of violations to avoid and limit potential sanctions.

Macroeconomic and industry-specific opportunities and risks

Macroeconomic and sector-specific conditions are a key factor in determining the success of our business. We therefore pay close attention to economic trends within the regions in which we operate. We are currently focussing upon the potential impact of US trade policies, the possible consequences of the United Kingdom's withdrawal from the EU and possible effects of the coronavirus. Alongside other aspects, Brexit poses a risk to the Group's net assets, financial position and results of operations owing to potential changes in exchange rates, the economy, air traffic rights and customs duties as well as the impact on our customers both within and outside of the UK. The topic-specific working groups we have established in this context have helped us to prepare as thoroughly as possible for the effects of Brexit. The possible effects of the coronavirus are discussed in the report on expected developments.

A variety of external factors offer us numerous opportunities; indeed we believe that markets will grow all over the world. As the global economy grows, the logistics industry will continue to expand. Although the trade dispute between the USA and China has 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. 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, but are also more prone to disruption. Customers are therefore calling for stable, integrated logistics solutions, which is what we provide with our broad-based service portfolio. We continue to see growth opportunities in this area, in particular in the Supply Chain division and as a result of closer co-operation between all our divisions.

New opportunities thanks to the booming online marketplace.

The booming online marketplace represents another opportunity for us as it is creating demand for transporting documents and goods. The B2C market, Glossary, page 166, is experiencing strong growth, particularly due to the continued upward trend in digital retail trade. This has created high growth potential for the domestic and international parcel business, which we intend to tap into by expanding our parcel network.

We are nonetheless unable to rule out the possibility of an economic downturn in specific regions or a stagnation or decrease in transport quantities. However, we assume that this would not reduce demand in all business units. Indeed, the opposite effect could arise in the parcel business, for example because consumers might buy online more frequently for reasons of cost. Companies might also be forced to outsource transport services in order to lower costs. Cyclical risks can affect our divisions differently depending on their magnitude and point in time, which could mitigate the total effect. Overall, we consider these to be medium-level risks. Moreover, we have taken measures in recent years to make costs more flexible and to allow us to respond quickly to changes in market demand.

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 mail and logistics business, the key factors for success are quality, customer confidence and competitive prices. Thanks to the high quality we offer, along with the cost savings we have generated in recent years, we believe that we shall be able to remain competitive and keep any negative effects at a low level.

Financial opportunities and risks

As a global operator, we are inevitably exposed to financial opportunities and risks. These mainly involve opportunities or risks arising from fluctuating exchange rates, interest rates and commodity prices and the Group's capital requirements. We attempt to reduce the volatility of our financial performance due to financial risk by implementing both operational and financial 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 Korean won. 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. Based upon current macroeconomic estimates, we consider the likelihood of such an opportunity arising to be low. The main risk to the Group’s earnings position would be a general appreciation of the euro. The significance of this risk is deemed low when considering the individual risks arising from changes in the respective currencies.

The aggregate opportunity arising from all of these currency effects is currently deemed to be of low 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. Deutsche Post DHL Group had central liquidity reserves of €3.5 billion as at the reporting date, consisting of central financial investments amounting to €1.5 billion plus a syndicated credit line of €2 billion. The Group’s liquidity is therefore 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.

The Group’s net debt amounted to €13.4 billion at the end of 2019. The share of financial liabilities with short-term interest rate lock-ins in the total financial liabilities of €17.0 billion was approximately 19%.

Further information on the Group’s financial position and finance strategy as well as on the management of financial risks can be found in the report on the economic position and in note 42 to the consolidated financial statements. Detailed information on risks and risk mitigation in relation to the Group’s defined benefit retirement plans can be found in note 36 to the consolidated financial statements.

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 focussing upon our core competencies in the mail and logistics businesses with an eye towards growing organically and simplifying our processes for the benefit of our customers. Digitalisation plays a key role in this. Our digital transformation involves the integration of new technologies into a corporate culture that uses the changing environment to its advantage. Opportunities arise, for example, from new infrastructure networking possibilities and from digital business models. Our earnings projections regularly take account of development opportunities arising from our strategic orientation.

In the observation period specified, risks arising from the current corporate strategy, which covers a long-term period, are considered to be of low relevance for the Group. The divisions face the following special situations, however:

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. 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 the 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. For the specified forecast period, we do not see these developments as having significant potential to impact the Post & Parcel Germany division negatively.

In the Express division, our future success depends above all upon general factors such as trends in the competitive environment, costs and quantities transported. 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. Against the backdrop of the past trend and the overall outlook, we do not see any strategic opportunities or risks for the Express division that go significantly beyond those reported in the section entitled “Opportunities and risks arising from macroeconomic and industry-specific conditions”.

In the Global Forwarding, Freight division, we purchase transport services from airlines, shipping companies and freight carriers rather than providing them ourselves. We normally expect to be able to save money by outsourcing transport services, as this presents an opportunity to generate higher margins. In the worst-case scenario, we bear the risk of not being able to pass on all price increases to our customers. The extent of 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. We do not see any strategic opportunities and risks for the Global Forwarding, Freight division that significantly exceed those described in the "Macroeconomic and industry-specific opportunities and risks" section.

In the Supply Chain division, our success is highly dependent on our customers' business performance. Since we offer customers 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 customer segments. We do not see any strategic opportunities or risks for the Supply Chain division that extend significantly beyond those reported in the section entitled "Opportunities and risks arising from macroeconomic and industry-specific conditions".

The eCommerce Solutions division is responsible for all of the Group's international parcel delivery services and 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 customer segments. In 2019, much of our spending went on restructuring costs. We took measures to counteract the fundamental risk of rising cost pressure and to improve network efficiency and cost flexibility. Otherwise, we do not see any strategic opportunities or risks relating to the eCommerce Solutions division that extend significantly beyond those reported in the section entitled "Opportunities and risks arising from macroeconomic and industry-specific conditions".

We currently do not see any specific corporate strategy opportunities or risks of material significance.

Opportunities and risks arising from internal processes

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 as well as the corresponding management processes. The extent to which we succeed in aligning our internal processes to meet customer needs whilst simultaneously lowering costs correlates with potential positive deviations from the current projections. We are steadily improving internal processes with the help of our First Choice initiatives. The initiatives help us to improve customer satisfaction whilst reducing costs. Our earnings projections already incorporate the expected cost savings.

Our core competencies are our focus.

Logistics services are generally provided in bulk and require a complex operational infrastructure with high quality standards. To consistently guarantee reliability and punctual delivery, processes must be organised so as to proceed smoothly with no technical or personnel-related glitches. Any weaknesses with regard to the tendering, sorting, transport, warehousing or delivery of shipments could seriously compromise our competitive position. To enable us to identify possible disruptions in our workflows and take the necessary countermeasures at an early stage, we have introduced a global security management system and developed a global IT platform known as Resilience360 that depicts and integrates our global supply chains and locations. Near real-time information on incidents relevant to security flows into the system, which in cases of disruption also serves as a central communications platform. This offers a competitive advantage that has already met with a high degree of interest from both security agencies and customers.

Opportunities and risks arising from information technology

The security of our information systems is particularly important to us. The goal is to ensure continuous IT system operation and prevent unauthorised access to our systems and databases. To meet these requirements, we have defined guidelines, standards and procedures based upon ISO 27002, the international standard for information security management. In addition, IT risk is monitored and assessed on an ongoing basis by Group Risk Management, IT Audit, Data Protection and Corporate Security. 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.

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.

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 also take continuous action to minimise risk, such as global monitoring of all of our networks and IT systems by our Cyber Defence Centre along with regular information security incident simulations. These are limited to our regular employee training.

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

The European Union's General Data Protection Regulation (GDPR) prescribes a series of measures for protecting personal data as well as immediate and extensive responses to and reporting of data losses (unauthorised access by third parties). Any violations are punishable by fines imposed by the data protection supervisory authorities. We have established implementation programmes in all divisions and implemented the GDPR's requirements in the best possible way.

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

We use strategic resource management to address the risks arising from an ageing population and the capacity shortages that may result from changing demographic and social structures. The experience gained is used to continuously improve strategic resource management as an analysis and planning instrument. The Generations Pact page 56 agreed upon with trade unions in Germany also helps take advantage of the career experience of employees for as long as possible whilst, at the same time, offering young people long-term career perspectives.

Possible increases in both chronic and acute diseases pose another risk to sustaining our business operations. We address this risk with health management programmes, measures tailored to local requirements and cross-divisional co-operation.

The content of any websites that may be referred to in the combined management report does not form part of the combined management report.

2019 FINANCIAL YEAR

Group EBIT came to €4.1 billion, meaning that we reached the 2019 profit target.

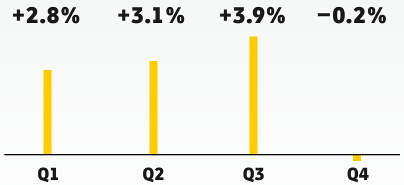
In line with our Strategy 2025, we intend to keep growing profitably in our core business in the years to come: we will strengthen our core business, make targeted investments and pick up the pace of digital transformation in all divisions.

MELANIE KREIS
Chief Financial Officer

Revenue growth, 2019
(Group)

+2.9%

Organic revenue growth
(Group, by quarter)



Group revenue, 2019

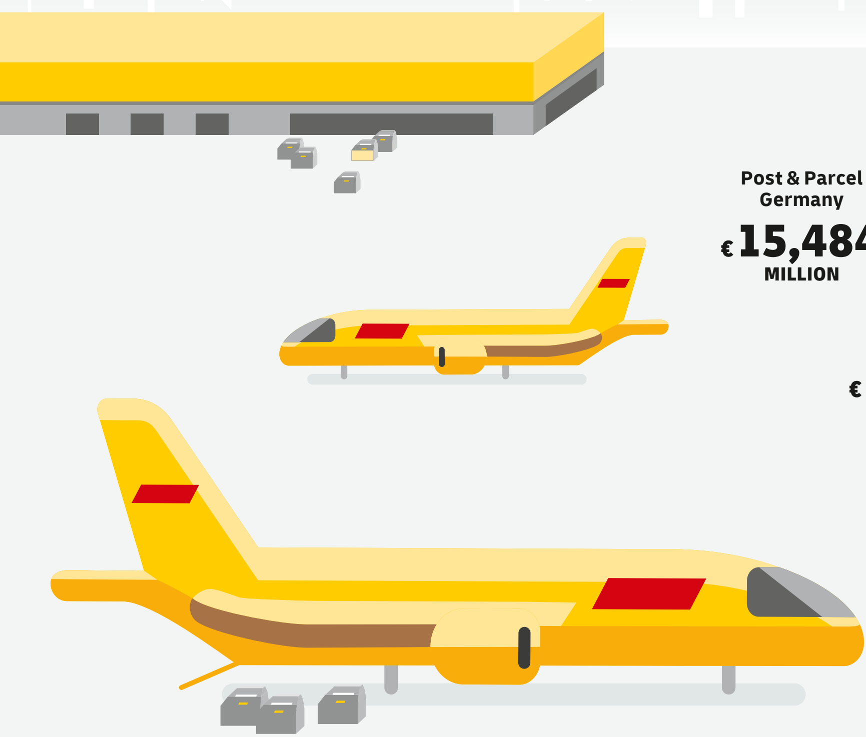
€63,341
MILLION

Our fundamental growth drivers are intact.

Revenue growth, 2019

Parcel business unit	Express division
+9.3%	+5.9%

Momentum was especially strong in our international express business and our German parcel business due to the sustained boom in e-commerce.



Revenue, 2019
(by division)

Post & Parcel Germany
€15,484 MILLION +2.5%

Express
€17,101 MILLION +5.9%

Global Forwarding, Freight
€15,128 MILLION +1.0%

Supply Chain
€13,436 MILLION +0.6%

eCommerce Solutions
€4,045 MILLION +5.5%

We succeeded in raising revenue in all divisions.

Global economy

The world economy lost significant momentum in 2019.

Our broad-based positioning makes us less susceptible to volatility.

Return on sales, 2019

6.5 %

Group EBIT, 2019

€ 4,128 MILLION

Thanks to disciplined revenue and cost management, we improved our operating performance in all divisions.

Free cash flow, 2019

€ 0.9 BILLION

Given the capital expenditure of €3.6 billion, we are very satisfied with the performance of free cash flow.

EBIT after asset charge (EAC), 2019

€ 1,509 MILLION

We will reach our EBIT target of at least €5.3 billion in 2022.

Earnings per share, 2019

€ 2.13

Capex, 2019
(Group, excluding leasing)

€3.6 BILLION

To achieve further growth, we will need to invest.

Capital expenditure, 2020 to 2022
(Group, cumulative target, excluding leasing)

€8.5–9.5 BILLION

Investments bring revenue growth, which means higher earnings and higher free cash flow. This will make us even more attractive to investors.

Renewing our intercontinental fleet

In 2019, we added the first four 777F aeroplanes to our fleet.

In the Express division, we are therefore raising our already high productivity level and reducing our carbon footprint.

Capex, 2019
(by division, excluding leasing)

Post & Parcel Germany	€469 MILLION
Express	€2,080 MILLION
Global Forwarding, Freight	€114 MILLION
Supply Chain	€323 MILLION
eCommerce Solutions	€132 MILLION

CORPORATE GOVERNANCE

75–86

NIKOLAUS VON BOMHARD
Chairman

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Deutsche Post DHL Group, the global logistics company, continued to grow in 2019. All operating divisions posted positive performance despite the challenging economic environment.

The Supervisory Board advised and oversaw the Board of Management in management of the company, made decisions regarding Board of Management membership, consulted with the members of the Board of Management on the strategic direction of the company and shaping corporate policy, as well as participating in decisions that were material for the company. Strategy 2025, which was adopted after extensive discussions by the governing bodies in the autumn of 2019, was particularly important. This plan aims to achieve lasting business success through a focus upon the profitable core businesses and digital transformation.

The Board of Management informed us on an ongoing basis about the course of business, material transactions and its deliberations on these matters. Issues concerning business planning, profitability and maintaining competitiveness were thoroughly deliberated in the committees and the plenary meetings.

Between meetings, I also had regular discussions with the Chairman of the Board of Management (CEO), Frank Appel. Stefan Schulte, Finance and Audit Committee Chair, additionally held regular conversations on current developments with the Chief Financial Officer, Melanie Kreis.

Members who were unable to attend all meetings generally participated in decisions by submitting their votes in writing. At 98 %, the attendance rate remained very high on the whole in the year under review, as the following breakdown shows.

Attendance at plenary and committee meetings

%

Supervisory Board member	Attendance
Dr Nikolaus von Bomhard (Chair)	100
Andrea Kocsis (Deputy Chair)	100
Rolf Bauermeister	100
Dr Günther Bräunig	86
Dr Mario Daberkow	100
Ingrid Deltenre	89
Jörg von Dosky	100
Werner Gatzer	88
Gabriele Gülzau	100
Thomas Held	100
Dr Heinrich Hiesinger (since 15 May 2019)	100
Mario Jacubasch	100
Prof. Dr Henning Kagermann (until 15 May 2019)	100
Thomas Koczelnik	100
Ulrike Lennartz-Pipenbacher	100
Simone Menne	100
Roland Oetker	100
Dr Stefan Schulte	100
Stephan Teuscher	100
Stefanie Weckesser	100
Prof. Dr-Ing. Katja Windt	100

Four plenary Supervisory Board meetings and twenty committee meetings were held in the year under review. The members of the Board of Management regularly participated in plenary meetings and reported on the business performance in the divisions for which they are responsible. The Chairman, and the members of the Board of Management responsible for their relevant divisions, attended the 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. For financial year 2020, I will be holding talks with key investors and voting rights advisers regarding issues that are the Supervisory Board's responsibility.

Key topics addressed in plenary meetings

In our March 2019 meeting, we discussed the annual and consolidated financial statements, including the management reports and the separate combined 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. Based upon the results of the audit, no objections were raised regarding the non-financial report.

We determined the annual bonus for active Board of Management members based upon the degree of target achievement and corresponding recommendations by the Strategy and Executive Committees.

The proposed resolutions for the 2019 Annual General Meeting, including the dividend proposal, were also approved at this meeting. Moreover, we appointed Tobias Meyer to the Board of Management effective from 1 April 2019 for an initial period of three years and entrusted him with the management of the Post & Parcel Germany division.

In June, we discussed John Gilbert's departure from the Board of Management and appointed Oscar de Bok as his successor. We also extended Tim Scharwath's mandate and employment contract until 2025. The Group's strategy and StreetScooter's development were further topics of the meeting.

After initially considering the issue in June, we consulted in depth on Strategy 2025 in September and worked with the Board of Management to determine the key areas of focus in the divisions. We extended Thomas Ogilvie's mandate and employment contract until 2025 and determined achievement of the strategic targets of the 2019 LTI Tranche for all Board of Management members. Our annual Directors' Day was held in September in conjunction with this meeting and our closed meeting. Speakers from within and outside of the company made presentations on current issues and developments and were available to provide explanations and answer questions.

At the last Supervisory Board meeting of the year in December, we approved the Group's business plan for 2020 and the targets for variable remuneration of the Board of Management for 2020, and agreed to again issue an unqualified Declaration of Conformity.

Key topics addressed in committee meetings

The six committees of the Supervisory Board prepare the decisions to be taken 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, page 82 ff.

The Executive Committee met four times and dealt mainly with Board of Management issues and preparatory work for Supervisory Board meetings.

The Personnel Committee also held four meetings. Items discussed focussed upon human resources development, promoting women to executive positions and further developing the Group-wide human resources initiatives.

The Finance and Audit Committee met seven times. It examined the financial statements and the management reports for the company and the Group. The committee also discussed the quarterly financial reports and the half-yearly financial report, which were reviewed by the auditors before their publication, with the Board of Management and the auditors. In addition, it issued the audit engagement for the auditors elected by the Annual General Meeting and specified the key audit priorities. The committee also discussed the tender for auditing services for financial year 2023 on several occasions and provided extensive support for this process. Also covered at the meetings were the non-audit services provided by the auditor, the accounting process, risk management and the findings of internal audits. It obtained detailed reports from the Chief Compliance Officer on compliance and on updates to the compliance organisation and compliance management.

The Strategy Committee met four times, primarily addressing the business units' strategic positioning in their respective market segments and the implementation of our Strategy 2020 and Strategy 2025. Particular areas of focus also included the progress made in the digital transformation of the company and regular status updates by the divisions.

The Nomination Committee met once. In December it recommended that the Supervisory Board propose Lawrence Rosen to the Annual General Meeting as a Supervisory Board candidate.

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

Changes to the Supervisory Board

A shareholder representative, Henning Kagermann, stepped down from the Supervisory Board with effect from the end of the 2019 Annual General Meeting. He was a committed and engaged member of the Supervisory Board for more than ten years, contributing his experience and advising the Board of Management with great vision, primarily on digitalisation and technology. The 2019 Annual General Meeting elected Heinrich Hiesinger as a new member of the Supervisory Board. As a manager with international experience, his particular expertise in strategy, innovation and digitalisation issues is a supplement to the Supervisory Board's skills profile.

An overview of current Supervisory Board members is provided on page 79.

Changes to the Board of Management

With effect from 1 January 2019, Ken Allen assumed responsibility for the newly created eCommerce Solutions division. John Pearson was appointed to the Board of Management for an initial period of three years and became his successor at the Express division. On 1 April 2019, Tobias Meyer took over responsibility for the Post & Parcel Germany division, initially also for a period of three years. John Gilbert resigned from the Board of Management for personal reasons with effect from 30 September 2019. We transferred responsibility for the Supply Chain division to Oscar de Bok and also appointed him to the Board of Management for an initial three years. He was previously Chief Executive Officer of DHL Supply Chain Mainland Europe, Middle East and Africa.

Managing conflicts of interest

Supervisory Board members do not hold positions on the governing bodies of, or provide consultancy services to, or maintain personal relationships with, the Group's main competitors. The Supervisory Board was not informed of any conflicts of interest affecting individual members during the year under review.

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

In December, the Board of Management and the Supervisory Board issued an unqualified Declaration of Conformity pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act), which was also published on the company's website. The declarations from previous years are also available there. The company also continued to comply with all recommendations of the Government Commission on the German Corporate Governance Code in the version dated 7 February 2017, which was published in the Federal Gazette on 24 April/19 May 2017, following submission of the Declaration of Conformity in December 2018, and decided to continue to do so in the future. We have also implemented all the suggestions made by the Government Commission, with the exception of broadcasting the full AGM on the internet. Further information regarding corporate governance within the company can be found in the annual Corporate Governance Statement (page 82 ff.).

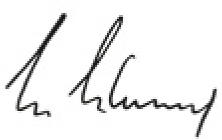
2019 annual and consolidated financial statements examined

The auditors elected by the AGM, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, audited the annual and consolidated financial statements for financial year 2019, including the combined management report, and issued unqualified audit opinions. PwC also reviewed the quarterly financial reports and the half-yearly financial report and audited the non-financial report on behalf of the Finance and Audit Committee without issuing any objections.

Upon recommendation by the Finance and Audit Committee, the Supervisory Board in its meeting today focussed upon the annual and consolidated financial statements, including the Board of Management's proposal on the appropriation of the net retained profit, the combined management report and the combined non-financial report for financial year 2019, and discussed these in depth with the Board of Management. The auditors reported on the results of their audit before the Finance and Audit Committee and plenary meeting and were available to answer questions and provide information. The Supervisory Board concurred with the results of the audit and approved the annual and consolidated financial statements for financial year 2019, 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 and the proposal for the appropriation of the net retained profit. Similarly, no objections were raised with regard to the examination of the combined non-financial report. The Supervisory Board endorsed the Board of Management's proposal for the appropriation of the net retained profit and the payment of a dividend of €1.25 per share.

We would like to thank the members of the Board of Management and the employees of the company for their dedicated and successful work in this financial year.

Bonn, 9 March 2020
The Supervisory Board



Nikolaus von Bomhard
Chairman

SUPERVISORY BOARD

Members of the Supervisory Board

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
CEO of KfW Bankengruppe

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

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

Werner Gatzer
State Secretary, Federal Ministry of Finance

Dr Heinrich Hiesinger
(since 15 May 2019) Member of the Supervisory Board of BMW AG

Prof. Dr Henning Kagermann
(until 15 May 2019) Member of the Supervisory Board of KUKA AG and former CEO of SAP AG

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

Roland Oetker
Managing Partner, ROI Verwaltungsgesellschaft mbH

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 on the ver.di National Executive Board

Rolf Bauermeister
Head of Postal Services, Co-determination and Youth and Head of National Postal Services Group at ver.di (until 14 September 2019)

Secretary, ver.di national administration (since 15 September 2019)

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, Mail Branch, Hamburg

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

Mario Jacubasch
Deputy Chair of the Group Works Council, Deutsche Post AG

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

Ulrike Lennartz-Pipenbacher
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, Mail Branch, Augsburg

Mandates held by Supervisory Board members

Shareholder representatives

Memberships of statutory supervisory boards

Dr Nikolaus von Bomhard
(Chair) Chair of Münchener Rückversicherungs-Gesellschaft AG (Munich Re) (since 30 April 2019)

Dr Günther Bräunig
Deutsche Pfandbriefbank AG (Chair)

Deutsche Telekom AG

Werner Gatzer
Flughafen Berlin Brandenburg GmbH

PD-Berater der öffentlichen Hand GmbH (Chair)

Dr Heinrich Hiesinger
(since 15 May 2019)
BMW AG

Prof. Dr Henning Kagermann
(until 15 May 2019) Münchener Rückversicherungs-Gesellschaft AG (Munich Re) (until 30 April 2019)

KUKA AG

Simone Menne
BMW AG

Springer Nature KGaA

Prof. Dr-Ing. Katja Windt
Fraport AG

Memberships 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[1] (Board of Directors)

Volkswagen Participações Ltda., Brazil (Supervisory Board)[1]

Volkswagen Holding Financière S.A., France (Supervisory Board)[1]

Volkswagen Payments S.A., Luxembourg (Supervisory Board, Chair)[1]

Volkswagen S.A., Institución de Banca Múltiple, Mexico (Supervisory Board)[1]

VW Credit, Inc., USA (Board of Directors)[1]

Ingrid Deltenre
Givaudan SA, Switzerland (Board of Directors)

Banque Cantonale Vaudoise SA, Switzerland (Board of Directors)

Agence France Presse, France (Board of Directors)

Sunrise Communications AG, Switzerland (Board of Directors)

Roland Oetker
Rheinisch-Bergische Verlagsgesellschaft mbH (Supervisory Board)

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

Russel Reynolds Associates Inc., USA (Board of Directors) (since 30 January 2019)

Dr Stefan Schulte
Fraport Ausbau Süd GmbH (Supervisory Board, Chair)[2]

Fraport Regional Airports of Greece A S.A., Greece (Board of Directors, Chair)[2]

Fraport Regional Airports of Greece Board of Directors, Chair B S.A., Greece (Board of Directors, Chair)[2]

Fraport Regional Airports of Greece Management Company S.A., Greece (Board of Directors, Chair)[2]

Fraport Brasil S.A. Aeroporto de Porto Alegre, Brazil (Supervisory Board, Chair)[2]

Fraport Brasil S.A. Aeroporto de Fortaleza, Brazil (Supervisory Board, Chair)[2]

Employee representatives

Memberships of statutory supervisory boards

Jörg von Dosky
PSD Bank München eG

Stephan Teuscher
DHL Hub Leipzig GmbH (Deputy Chair)

[1] Group mandates, Volkswagen AG.
[2] Group mandates, Fraport AG.

BOARD OF MANAGEMENT

Members of and mandates held by the Board of Management

DR FRANK APPEL
Chief Executive Officer, Global Business Services, also responsible for Post - eCommerce - Parcel until 31 March 2019, born in 1961. Member of the Board of Management since November 2002, CEO since February 2008, appointed until October 2022.

Seats on other legally mandated supervisory boards: member of the Supervisory Board of adidas AG until 9 May 2019.

MELANIE KREIS
Finance, born in 1971, Board member since October 2014, appointed until June 2022.

DR THOMAS OGILVIE
Human Resources, Corporate Incubations, born in 1976, Board member since September 2017, appointed until August 2025.

KEN ALLEN
eCommerce Solutions (since 1 January 2019), born in 1955, Board member since February 2009, appointed until July 2022.

Also holds a seat on the Board of Directors of DHL Sinotrans International Air Courier Ltd.[1], China and is a member of the Board of Directors of Blue Dart Express Ltd.[1], India.

[1] Group mandate

TIM SCHARWATH
Global Forwarding, Freight, born in 1965, Board member since June 2017, appointed until May 2025.

JOHN PEARSON
Express (since 1 January 2019), born in 1963, Board member since January 2019, appointed until December 2021.

Was a member of the Board of Directors of Global-e U.K. Ltd.[1] until 31 December 2019.

[1] Group mandate

DR TOBIAS MEYER
Post & Parcel Germany (since 1 April 2019), born in 1975, Board member since April 2019, appointed until March 2022.

OSCAR DE BOK
Supply Chain (since 1 October 2019), born in 1967, Board member since October 2019, appointed until September 2022.

Left the company during the year under review

JOHN GILBERT Supply Chain, born in 1963. Board member from March 2014 to September 2019.

ANNUAL CORPORATE GOVERNANCE STATEMENT, CORPORATE GOVERNANCE REPORT

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

In December 2019, the Board of Management and the Supervisory Board once again issued an unqualified Declaration of Conformity pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act):

"The Board of Management and the Supervisory Board of Deutsche Post AG declare that all recommendations of the Government Commission German Corporate Governance Code (DCGK) in the version dated 7 February 2017 and published in the Federal Gazette on 24 April/19 May 2017 have been complied with even after issuance of the Declaration of Conformity in December 2018 and that all recommendations of the Code in the version dated 7 February 2017 and published in the Federal Gazette on 24 April/19 May 2017 shall also be complied with in the future."

The suggestions of the Code dated 7 February 2017 are also implemented, except broadcasting the full AGM. This helps ensure frank and open discussion during the shareholders' debate.

The Board of Management and Supervisory Board will discuss the new recommendations and suggestions in the Code, which is expected to be published in the Federal Gazette in the first quarter of 2020, and will take a position on these in the next Declaration of Conformity.

The current Declaration of Conformity and those for the last five years as well as the Annual Corporate Governance Statement can be viewed on the company's website.

Corporate governance principles and shared values

Our business relationships and activities are based upon responsible business practice that complies 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. Long-term relationships with our shareholders, employees and groups associated with the company, 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, are encouraged.

The @ **Code of Conduct, dpdhl.com/en,** is firmly established within the company and is applicable in all divisions and regions. The Code of Conduct is based upon the principles set out in the Universal Declaration of Human Rights and the United Nations (UN) Global Compact. It is consistent with recognised legal standards, including the applicable anti-corruption legislation and agreements.

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. Our Diversity Council discusses the strategic aspects of diversity management and divisional requirements. Its members comprise executives from the central functions and divisions and it is chaired by the Board Member for Human Resources. Members also act as ambassadors for, and promote, diversity in the divisions. The members of the Board of Management and the Supervisory Board support the Group's diversity strategy, with a particular focus upon the goal of increasing the number of women in executive positions.

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

Ensuring 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. It is also the foundation of Deutsche Post DHL Group's lasting business success. Our compliance management system (CMS) focusses upon preventing corruption and anti-competitive conduct. We continually improve and upgrade the CMS, in part by incorporating the results of the compliance audits and insights obtained from reported violations. The CMS's individual components, the Code of Conduct and information on diversity management and sustainability issues are outlined in detail in our @ **Corporate Sustainability Report, dpdhl.com/sustainabilityreport2019.** This report also contains the non-financial report with mandatory disclosures in accordance with sections 289c ff. of the *Handelsgesetzbuch* (HGB – German Commercial Code).

Co-operation between the Board of Management and the Supervisory Board

As a German listed company, Deutsche Post AG is managed by the members of the Board of Management, who are appointed, advised and supervised by the members of the Supervisory Board.

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 on their own responsibility, except where decisions of particular significance and consequence for the company or the Group must be taken 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 Chair of the Board of Management conducts its 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. Conflicts of interest must be disclosed to the Supervisory Board without delay; the other Board of Management members must also be informed.

The Supervisory Board works with the Board of Management to ensure long-term succession planning for the Board of Management. In addition to the requirements of the *Aktiengesetz* (AktG – German Stock Corporation Act) and the DCGK, this plan includes the Supervisory Board's diversity criteria it has stipulated for the Board of Management's composition and the target for the percentage of women on the Board of Management. Taking into account the specific qualifications required, the Executive Committee develops a profile, selects particularly suitable candidates from those available for interviews and submits candidate proposals to the Supervisory Board. The initial term of service for members of the Board of Management runs for no more than three years. 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 Supervisory Board has stipulated that the term of service of Board of Management members generally ends no later than the year in which the Board of Management member reaches the age of 65. D&O insurance for the members of the Board of Management provides for a deductible as set out in the AktG.

The Supervisory Board's rules of procedure contain the principles for its internal organisation, a catalogue of Board of Management transactions requiring its approval and the rules governing the work of the Supervisory Board committees. The chair elected by the members 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. The General Meeting determines the remuneration of Supervisory Board members. 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, often without the Board of Management present. Extraordinary Supervisory Board meetings are held whenever decisions need to be taken at short notice or particular issues require discussion. In financial year 2019, Supervisory Board members held four plenary meetings, twenty committee meetings and one closed meeting, as described in the **Report of the Supervisory Board, page 76 f.** At 98%, the attendance rate again remained very high. The Report of the Supervisory Board contains a breakdown of attendance by member.

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.

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 taken. Supervisory Board members are personally responsible for ensuring they receive the training and professional development measures they need to perform their tasks and receive appropriate support from the company. A core element is the annual Directors' Day, which is held regularly in conjunction with the Supervisory Board's closed meeting. At this event, speakers from within and outside of the company make presentations on current issues and developments and are available to provide explanations and answer questions.

Independence of Supervisory Board members

All Supervisory Board members are independent within the meaning of the DCGK. The number of independent Supervisory Board members therefore exceeds the target we had set ourselves of at least 75% of the Supervisory Board as a whole. In light of the European Commission's recommendation regarding the independence of non-executive or supervisory directors and the wide-ranging protection against summary dismissal and ban regarding discrimination contained in the *Betriebsverfassungsgesetz* (BetrVG – German works constitution act) and the *Mitbestimmungsgesetz* (MitbestG – German co-determination act), being an employee of the company is not inconsistent with the requirement for independence. The largest shareholder in the company, KfW Bankengruppe, currently holds approximately 21% of the shares in Deutsche Post AG and therefore does not exercise control. Accordingly, Werner Gatzer and Günther Bräunig are also independent. The duration of service of all members of the Supervisory Board is in compliance with the recommendation by the European Commission that finds no heightened risk of loss of independence for members serving up to three complete terms of office. No former members of the Board of Management are members of the Supervisory Board.

The Supervisory Board intends to submit a proposal to the 2020 Annual General Meeting to elect Lawrence Rosen to the Supervisory Board. Lawrence Rosen was a member of the company's Board of Management until September 2016. With his proven finance expertise, he meets the requirements in the skills profile stipulated by the Supervisory Board and is a particularly suitable candidate.

No Supervisory Board members exceed the maximum service period of three terms of office or the age limit of 72. They also do not hold positions on the governing bodies of, or provide consultancy services to, or maintain personal relationships with, the Group's main competitors.

Effectiveness of the Supervisory Board's activities

The Supervisory Board carries out an annual review of the effectiveness of its work in plenary meetings and in the committees. This review is based upon a questionnaire, individual conversations between the Supervisory Board members and the chair and discussion in a Supervisory Board meeting, without the Board of Management. Suggestions made by individual members of the Supervisory Board are also taken up and implemented during the year. In financial year 2019, the Supervisory Board reviewed the efficiency of its activities in its meetings in September and December. It concluded that it had performed its monitoring and advisory duties efficiently and effectively.

Targets for the composition of the Supervisory Board (skills profile)

The Supervisory Board has set itself the following targets for its composition; they also represent the skills profile it has set itself:

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 independent Supervisory Board members as defined in number 5.4.2 of the German Corporate Governance Code account for at least 75% of the Supervisory Board, and that at least 30% of the 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 particular international knowledge and experience.
3. The Supervisory Board should be in a position to collectively provide competent advice to the Board of Management on fundamental future issues; in its opinion this includes, in particular, the digital transformation.
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 this skills profile. The Supervisory Board took into account the targets and skills profile in its proposals to the 2019 Annual General Meeting and now also in its proposal to this year's Annual General Meeting to elect Lawrence Rosen to the company's Supervisory Board.

Board of Management and Supervisory Board committees

The members of the Board of Management meet quarterly for business review meetings. The business review meetings discuss strategic initiatives, operational matters and the budgetary situation in the divisions.

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 for appointing members of the Board of Management, drawing up their contracts of service and determining their remuneration. It also works on long-term succession planning for the Board of Management.

The Finance and Audit Committee reviews the company's accounts, oversees its accounting process, the effectiveness of the internal control system, risk management and internal auditing, and the financial statement audit, and in particular the selection of the auditors and their independence. The Finance and Audit Committee also deals with the audit of the non-financial report. It also approves the Board of Management's engagement of the auditor to perform non-audit services. The committee examines corporate compliance issues and discusses the half-yearly and quarterly financial reports with the Board of Management before publication. Based upon its own assessment, the committee submits proposals for the approval of the annual and consolidated financial statements by the Supervisory Board. Upon entry into force of the Act Implementing the Second Shareholder Rights Directive (ARUG II) on 1 January 2020, the Finance and Audit Committee additionally assumed responsibility for issuing the required Supervisory Board approval for significant transactions between the company and related parties.

The Chairman of the Finance and Audit Committee, Stefan Schulte, is an independent financial expert as defined in sections 100(5) and 107(4) of the AktG. He has no relationship with the company, its governing bodies or its shareholders that could cast doubt on his independence.

An agreement has been reached with the auditors that the Chairman of the Supervisory Board and the Chairman of the Finance and Audit Committee shall 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 these are not immediately remedied. In addition, it has been agreed that the auditors shall inform the Supervisory Board without delay of all material findings and incidents occurring in the course of the audit. Furthermore, the auditors must inform the Supervisory Board if, whilst conducting the financial statement audit, they find any facts leading to the Declaration of Conformity issued by the Board of Management and Supervisory Board being incorrect. The Audit Committee chair and the auditor regularly exchange information both at meetings and at other times.

The Strategy Committee prepares the Supervisory Board's strategy discussions and regularly discusses the competitive position of the enterprise as a whole and of the divisions. It addition, it does preparatory work on corporate acquisitions and divestitures that require the Supervisory Board's approval.

Committees of the Supervisory Board

Executive Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister
Ingrid Deltenre
Werner Gatzer
Thomas Held

Personnel Committee

Andrea Kocsis (Chair)
Dr Nikolaus von Bomhard (Deputy Chair)
Thomas Koczelnik
Roland Oetker

Finance and Audit Committee

Dr Stefan Schulte (Chair)
Stephan Teuscher (Deputy Chair)
Werner Gatzer
Thomas Koczelnik
Simone Menne
Stefanie Weckesser

Strategy Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister
Dr Günther Bräunig (since 15 May 2019)
Prof. Dr Henning Kagermann (until 15 May 2019)
Thomas Koczelnik
Roland Oetker

Nomination Committee

Dr Nikolaus von Bomhard (Chair)
Ingrid Deltenre
Werner Gatzer

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

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister
Roland Oetker

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

Information about the work of the Supervisory Board and its committees in financial year 2019 is also contained in the Report of the Supervisory Board, page 76 ff. The members of the Supervisory Board and the mandates they hold are listed on page 79.

Diversity

When filling Board of Management vacancies, the Supervisory Board pays close attention to ensuring that the members of the Board of Management have a variety of qualifications, skills and experience. Long-term succession planning in all divisions guarantees that there will be sufficient qualified candidates to fill Board of Management positions in future. The early promotion of women in the company also plays a key role. The current target for the proportion of women on the Board of Management is 2:8, to be achieved by the date of the Annual General Meeting in 2021.

The Board of Management set target quotas for the proportion of women in the two executive tiers below the Board of Management of 20% for tier 1 and 30% for tier 2; these targets applied to the period between 1 January 2017 and 31 December 2019. The target of 20% set for tier 1 was far exceeded at 25%, but at 23.1%, the target of 30% specified for tier 2 was not met. Since the start of the target period on 1 January 2017, extensive organisational changes have been made at tier 2: this has led to changes in the structure of the various units and thus also affected the number of female executives. We shall continue to work on expanding the female talent pool below the second executive tier so that sufficient suitable candidates are available in the future.

A new target of 30% was set for the percentage of women at both executive tiers below the Board of Management. We aim to meet these targets by 31 December 2024.

The company intends to increase the share of women in management positions 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 22.2% as at 31 December 2019.

The diversity criteria important to the Supervisory Board, including when considering its own composition, are outlined in the list of its goals. With 35%, the Supervisory Board exceeds the statutory share of women of 30%.

Shareholders and General Meeting

Shareholders exercise their rights, and in particular their right to receive information and to vote, at the General Meeting. Each share in the company entitles the holder to one vote. The agenda with the proposed resolutions for the General Meeting and additional information will be made available at dpdhl.com/en/investors at the latest when the 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 to do so by the shareholders and who can be reached during the General Meeting. Additionally, shareholders can authorise company proxies, submit postal votes and grant proxies to intermediaries and shareholder associations attending the General Meeting via the company's online service.

Remuneration of the Board of Management and Supervisory Board

Most recently, the Annual General Meeting approved the system of Board of Management remuneration in 2018 with around 89% of the votes cast. The remuneration system continues to be applicable largely unchanged, as explained in greater detail in the Remuneration Report, page 17 ff. That report also contains information regarding the remuneration of the individual members of the Board of Management and Supervisory Board. The remuneration system is again scheduled to be presented for approval to the 2021 Annual General Meeting.

CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT

1 January to 31 December

€m

	Note	2018	2019
Revenue	10	61,550	63,341
Other operating income	11	1,914	2,351
Changes in inventories and work performed and capitalised	12	87	239
Materials expense	13	−31,673	−32,070
Staff costs	14	−20,825	−21,610
Depreciation, amortisation and impairment losses	15	−3,292	−3,684
Other operating expenses	16	−4,597	−4,431
Net income from investments accounted for using the equity method	24	−2	−8
Profit from operating activities (EBIT)		**3,162**	**4,128**
Financial income		201	194
Finance costs		−750	−846
Foreign currency losses		−27	−2
Net finance costs	17	**−576**	**−654**
Profit before income taxes		**2,586**	**3,474**
Income taxes	18	−362	−698
Consolidated net profit for the period		**2,224**	**2,776**
attributable to Deutsche Post AG shareholders		2,075	2,623
attributable to non-controlling interests		149	153
Basic earnings per share (€)	19	**1.69**	**2.13**
Diluted earnings per share (€)	19	**1.66**	**2.09**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€m

	Note	2018	2019
Consolidated net profit for the period		**2,224**	**2,776**
Items that will not be reclassified to profit or loss			
Change due to remeasurements of net pension provisions	36	191	−1,068
Reserve for equity instruments without recycling		−4	−29
Other changes in retained earnings		0	3
Income taxes relating to components of other comprehensive income	18	−71	75
Share of other comprehensive income of investments accounted for using the equity method, net of tax		0	0
Total, net of tax		**116**	**−1,019**
Items that may be reclassified subsequently to profit or loss			
IAS 39 hedging reserve			
Changes from unrealised gains and losses		−9	−4
Changes from realised gains and losses		−31	7
Currency translation reserve			
Changes from unrealised gains and losses		74	243
Changes from realised gains and losses		0	30
Income taxes relating to components of other comprehensive income	18	13	−1
Share of other comprehensive income of investments accounted for using the equity method, net of tax		2	2
Total, net of tax		**49**	**277**
Other comprehensive income, net of tax		**165**	**−742**
Total comprehensive income		**2,389**	**2,034**
attributable to Deutsche Post AG shareholders		2,243	1,882
attributable to non-controlling interests		146	152

BALANCE SHEET

€m

	Note	31 Dec. 2018	31 Dec. 2019
ASSETS			
Intangible assets	21	11,850	11,987
Property, plant and equipment	22	19,202	21,303
Investment property	23	18	25
Investments accounted for using the equity method	24	119	123
Non-current financial assets	25	730	759
Other non-current assets	26	353	395
Deferred tax assets	27	2,532	2,525
Non-current assets		**34,804**	**37,117**
Inventories	28	454	396
Current financial assets	25	943	394
Trade receivables	29	8,247	8,561
Other current assets	26	2,369	2,598
Income tax assets		210	232
Cash and cash equivalents	30	3,017	2,862
Assets held for sale	31	426	9
Current assets		**15,666**	**15,052**
TOTAL ASSETS		**50,470**	**52,169**

	Note	31 Dec. 2018	31 Dec. 2019
EQUITY AND LIABILITIES			
Issued capital	32	1,233	1,236
Capital reserves	33	3,469	3,482
Other reserves		−947	−700
Retained earnings		9,835	10,099
Equity attributable to Deutsche Post AG shareholders	34	13,590	14,117
Non-controlling interests	35	283	275
Equity		**13,873**	**14,392**
Provisions for pensions and similar obligations	36	4,348	5,102
Deferred tax liabilities	27	54	56
Other non-current provisions	37	1,655	1,650
Non-current financial liabilities	38	13,869	13,736
Other non-current liabilities	39	205	360
Non-current provisions and liabilities		**20,131**	**20,904**
Current provisions	37	1,073	964
Current financial liabilities	38	2,593	3,238
Trade payables		7,422	7,225
Other current liabilities	39	4,432	4,913
Income tax liabilities		718	519
Liabilities associated with assets held for sale	31	228	14
Current provisions and liabilities		**16,466**	**16,873**
TOTAL EQUITY AND LIABILITIES		**50,470**	**52,169**

CASH FLOW STATEMENT

1 January to 31 December

€m

	Note	2018	2019
Consolidated net profit for the period		2,224	2,776
Income taxes		362	698
Net finance costs		576	654
Profit from operating activities (EBIT)		**3,162**	**4,128**
Depreciation, amortisation and impairment losses		3,292	3,684
Net income from disposal of non-current assets		−18	−465
Non-cash income and expense		13	−57
Change in provisions		282	−506
Change in other non-current assets and liabilities		−75	101
Dividend received		2	3
Income taxes paid		−579	−843
Net cash from operating activities before changes in working capital		**6,079**	**6,045**
Changes in working capital			
Inventories		−116	36
Receivables and other current assets		−559	−498
Liabilities and other items		392	466
Net cash from operating activities	41	**5,796**	**6,049**
Subsidiaries and other business units		14	702
Property, plant and equipment and intangible assets		151	138
Investments accounted for using the equity method and other investments		23	0
Other non-current financial assets		46	51
Proceeds from disposal of non-current assets		234	891
Subsidiaries and other business units		−58	−14
Property, plant and equipment and intangible assets		−2,649	−3,612
Investments accounted for using the equity method and other investments		−39	−8
Other non-current financial assets		−10	−6
Cash paid to acquire non-current assets		−2,756	−3,640
Interest received		52	82
Current financial assets		−307	527
Net cash used in investing activities	41	**−2,777**	**−2,140**

	Note	2018	2019
Proceeds from issuance of non-current financial liabilities		1,314	349
Repayments of non-current financial liabilities		−2,284	−2,214
Change in current financial liabilities		−1	−105
Other financing activities		38	40
Cash paid for transactions with non-controlling interests		−3	−5
Dividend paid to Deutsche Post AG shareholders		−1,409	−1,419
Dividend paid to non-controlling interest shareholders		−124	−150
Purchase of treasury shares		−44	−11
Proceeds from issuing shares or other equity instruments		0	11
Interest paid		−526	−608
Net cash used in financing activities	41	**−3,039**	**−4,112**
Net change in cash and cash equivalents		**−20**	**−203**
Effect of changes in exchange rates on cash and cash equivalents		−65	15
Changes in cash and cash equivalents associated with assets held for sale		−33	33
Changes in cash and cash equivalents due to changes in consolidated group		0	0
Cash and cash equivalents at beginning of reporting period		3,135	3,017
Cash and cash equivalents at end of reporting period	30	**3,017**	**2,862**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

€m

			Other reserves						
	Issued capital	Capital reserves	IAS 39 hedging reserve	Reserve for equity instruments without recycling	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	32	33					34	35	
Balance at 1 January 2018	1,224	3,327	19	11	−1,028	9,034	12,587	264	12,851
Dividend						−1,409	−1,409	−125	−1,534
Transactions with non-controlling interests			0	0	0	4	4	−4	0
Changes in non-controlling interests due to changes in consolidated group							0	2	2
Issue/retirement of treasury shares	3	26				0	29	0	29
Purchase of treasury shares	−1					−45	−46		−46
Differences between purchase and issue prices of treasury shares (share-based payment schemes)		7				−7	0		0
Convertible bonds	5	102					107		107
Share-based payment schemes (issuance)		99					99		99
Share-based payment schemes (exercise)	2	−92				66	−24		−24
							−1,240	**−127**	**−1,367**
Total comprehensive income									
Consolidated net profit for the period						2,075	2,075	149	2,224
Currency translation differences					80		80	−4	76
Change due to remeasurements of net pension provisions						117	117	1	118
Other changes			−26	−3		0	−29	0	−29
							2,243	**146**	**2,389**
Balance at 31 December 2018	**1,233**	**3,469**	**−7**	**8**	**−948**	**9,835**	**13,590**	**283**	**13,873**

			Other reserves						
	Issued capital	Capital reserves	IAS 39 hedging reserve	Reserve for equity instruments without recycling	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Balance at 1 January 2019	1,233	3,469	−7	8	−948	9,835	13,590	283	13,873
Dividend						−1,419	−1,419	−155	−1,574
Transactions with non-controlling interests			0	0	0	7	7	−7	0
Changes in non-controlling interests due to changes in consolidated group							0	1	1
Issue of treasury shares	0	0				0	0	1	1
Purchase of treasury shares	0					−10	−10		−10
Differences between purchase and issue prices of treasury shares (share-based payment schemes)		5				−5	0		0
Convertible bonds	0	0					0		0
Share-based payment schemes (issuance)		56					56		56
Share-based payment schemes (exercise)	3	−48				56	11		11
							−1,355	**−160**	**−1,515**
Total comprehensive income									
Consolidated net profit for the period						2,623	2,623	153	2,776
Currency translation differences					275		275	0	275
Change due to remeasurements of net pension provisions						−990	−990	−1	−991
Other changes			2	−30		2	−26	0	−26
							1,882	**152**	**2,034**
Balance at 31 December 2019	**1,236**	**3,482**	**−5**	**−22**	**−673**	**10,099**	**14,117**	**275**	**14,392**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE POST AG

Basis of preparation

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

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 European 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 financial year 2019 are generally based on the same accounting policies used in the 2018 consolidated financial statements. Exceptions to this are the changes in international financial reporting under the IFRSs described in note 4 that have been required to be applied by the Group since 1 January 2019. The accounting policies are explained in note 6.

These consolidated financial statements were authorised for issue by a resolution of the Board of Management of Deutsche Post AG dated 14 February 2020.

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

2 Consolidated group

The consolidated group includes all companies controlled by Deutsche Post AG. Control exists if Deutsche Post AG has decision-making powers, is exposed, 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 dpdhl.com/en/investors.

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

Consolidated group

	2018	2019
Number of fully consolidated companies (subsidiaries)		
German	127	81
Foreign	616	617
Number of joint operations		
German	1	1
Foreign	0	0
Number of investments accounted for using the equity method		
German	1	1
Foreign	18	18

In the reporting period, 46 German DHL Delivery companies were merged into Deutsche Post AG. The disposal of companies related to the sale of the supply chain business in China, Hong Kong and Macau, note 2.3. In addition, another 4.9% interest in Relais Colis SAS, France, which is accounted for using the equity method, was acquired, as was the remaining 10% interest in Olimpo Holding S.A., Brazil.

2.1 Acquisitions, 2019

No significant companies were acquired in the financial year.

2.2 Contingent consideration

The following are the variable purchase prices for companies acquired in prior years:

Contingent consideration

Company	Basis	Period for financial years from/to	Results range from/to	Fair value of total obligation at the acquisition date	Remaining payment obligation at 31 Dec. 2018	Remaining payment obligation at 31 Dec. 2019
Mitsafetrans S.r.l.	EBITDA	2016 to 2018	0 to 19 €m	15 €m	5 €m	–
Suppla Group	EBITDA	2018 to 2019	0 to 10 €m[1]	12 €m	10 €m	–

[1] Adjusted during 2018 due to reassessments.

A total of €8 million was paid for the Suppla Group in May 2019, and €5 million was paid for Mitsafetrans S.r.l. in July 2019.

2.3 Deconsolidation effects in 2019

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

Supply Chain

In mid-February 2019, Deutsche Post DHL Group sold its Supply Chain business in China, Hong Kong and Macao to S.F. Holding, China. The assets and liabilities of the companies in question had previously been reported as held for sale. The table below shows the effects of the disposal of twelve consolidated companies and three companies accounted for using the equity method.

Deconsolidation effects

€m

1 January to 31 December 2019	Supply Chain business in China
Non-current assets	212
of which goodwill	91
Current assets	194
Cash and cash equivalents	33
ASSETS	**439**
Non-current provisions and liabilities	45
Current provisions and liabilities	179
EQUITY AND LIABILITIES	**224**
Net assets	**215**
Cash consideration received	686
Losses from the currency translation reserve	–32
Deconsolidation gain	**439**

Including transaction costs of €13 million, the net gain from disposals amounted to €426 million. In addition, Deutsche Post DHL Group will receive an annual revenue-based amount over a period of ten years as part of a strategic partnership.

2.4 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. 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 has been assigned to the Express segment. 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

In addition to the sale of the Supply Chain business in China, note 2, the following significant transactions occurred:

We spent a net amount of €481 million on restructuring measures as part of a profit improvement initiative in financial year 2019. Of this amount, €234 million was attributable to Post & Parcel Germany, €151 million to the Supply Chain division, €80 million to eCommerce Solutions and €16 million to Corporate Functions.

In the third quarter of 2019, the Group began offering an extended group of employees in Germany the option of taking a lump-sum payment rather than receiving a lifetime pension under our occupational pension arrangements. In the fourth quarter, the eligible group of employees was expanded further. Total income of €258 million was recognised in staff costs as a result, driven by past service income of €271 million, which was partly offset by additional current service cost.

4 New developments in international accounting under IFRSs

New accounting standards required to be applied in financial year 2019

The following standards, changes to standards and interpretations must be applied from 1 January 2019:

Standard	Subject matter and significance
Amendments to IFRS 9, Financial Instruments: Prepayment Features with Negative Compensation	The amendment clarifies how certain financial instruments with prepayment features are classified according to IFRS 9. The consolidated financial statements were not affected.
IFRIC 23, Uncertainty over Income Tax Treatments	IFRIC 23 clarifies the requirements for measuring and recognising uncertain income tax items. The Interpretation must be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. The interpretation had no material influence on the consolidated financial statements.
Amendments to IAS 28, Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures	The amendments to IAS 28 clarify that IFRS 9 must be applied to long-term interests that, in substance, form part of the net investment in an associate or joint venture to which the equity method is applied. The amendments had no effect on the consolidated financial statements.
Annual Improvements to IFRSs (2015–2017 Cycle)	The amendments relate to IFRS 3, Business Combinations, and IFRS 11, Joint Arrangements, as well as IAS 12, Income Taxes, and IAS 23, Borrowing Costs. The amendments had no effect on the consolidated financial statements.
Amendments to IAS 19, Employee Benefits – Plan Amendment, Curtailment or Settlement	The amendments specify the basis for determining the current service cost and net interest for the period between the change in a defined benefit retirement plan and the end of the reporting period. As a result of the changes in occupational pension arrangements in Germany, for example, this had a minor impact overall on the consolidated financial statements.

We voluntarily applied IFRS 16, Leases, early in 2018.

New accounting standards adopted by the EU but only required to be applied in future periods

The following standards, changes to standards and interpretations have already been endorsed by the EU. However, they will only be required to be applied in future periods.

Standard (issue date)	Effective for financial years beginning on or after	Subject matter and significance
Amendments to References to the Conceptual Framework in IFRS Standards (29 March 2018)	1 January 2020	The IASB has published a revised Conceptual Framework for Financial Reporting that is intended to be used to develop new standards and interpretations in the future. In particular, the definitions of assets and liabilities as well as the guidance on measurement and derecognition, presentation and disclosures were amended. This has not resulted in any technical amendments to current standards to date. The amendments merely update the references to the conceptual framework in existing standards. The conceptual framework itself is not the subject of the endorsement procedure. This will not result in any changes.
Amendments to IAS 1 and IAS 8 – Definition of Material (31 October 2018)	1 January 2020	The amendments to IAS 1 and IAS 8 clarify the definition of "material". Besides additional explanations, the definition of "material" in the conceptual framework as well as all standards was aligned with the central definition now anchored in IAS 1. No material effects on the consolidated financial statements are expected.
Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (26 September 2019)	1 January 2020	Entities can continue to use hedge accounting and designate new hedging relationships despite the expected replacement of various interest rate benchmarks. No material effects on the consolidated financial statements are expected.

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 financial year 2019 and in previous years whose application is not yet mandatory for financial year 2019. The application of these IFRSs is dependent on their adoption by the EU.

Standard (issue date)	Effective for financial years beginning on or after	Subject matter and significance
IFRS 17, Insurance Contracts (18 May 2017)	1 January 2021	IFRS 17 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 those insurance contracts. This information gives users of financial statements better insights into the effects 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.
Amendments to IFRS 3, Business Combinations – Definition of a Business (22 October 2018)	1 January 2020	The amendments relate to the definition of a business and include clearer guidelines for distinguishing between a business and a group of assets when applying IFRS 3. According to the amendments, the future definition of a business includes having both economic resources and at least a substantial process which together are capable of generating output. Output is deemed to be only the sale of goods and provision of services as well as the generation of capital and other income. Alternatively, there is an option to apply a concentration test to assess whether an acquired set of activities and assets is not a business. No material effects on the consolidated financial statements are expected.
Amendments to IAS 1, Classification of Liabilities as Current or Non-current (23 January 2020)	1 January 2022	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 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 right exists; no intention to exercise that right is required. No material effects on the consolidated financial statements are expected.

5 Currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros (€) in accordance with IAS 21 using the functional currency method. The functional currency of foreign companies is determined by the primary economic environment in which they mainly generate and use cash. Within the Group, the functional currency is predominantly the local currency. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rates, whilst periodic income and expenses are generally translated at the monthly closing rates. The resulting currency translation differences are recognised in other comprehensive income. In financial year 2019, currency translation differences amounting to €275 million (previous year: €76 million) were recognised in other comprehensive income, see the **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:

Currency	Country	Closing rates 2018 1 EUR =	Closing rates 2019 1 EUR =	Average rates 2018 1 EUR =	Average rates 2019 1 EUR =
AUD	Australia	1.6224	1.6006	1.5834	1.6084
CNY	China	7.8741	7.8215	7.8133	7.7315
GBP	United Kingdom	0.8947	0.8510	0.8860	0.8758
HKD	Hong Kong	8.9680	8.7461	9.2413	8.7715
INR	India	79.8994	80.1796	80.6204	78.8033
JPY	Japan	125.8064	121.8953	129.9766	121.9835
SEK	Sweden	10.2418	10.4491	10.2955	10.5827
USD	USA	1.1451	1.1232	1.1790	1.1197

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 financial year 2019, income of €184 million (previous year: €213 million) and expenses of €179 million (previous year: €207 million) resulted from currency translation differences. In contrast, currency translation differences relating to net investments in a foreign operation are recognised in other comprehensive income.

6 Accounting policies

Uniform accounting policies are applied to the annual financial statements of the entities that have been included in the consolidated financial statements. The consolidated financial statements are prepared under the historical cost convention, except where items are required to be recognised at their fair value.

Revenue and expense recognition

Deutsche Post DHL Group's normal business operations consist of the provision of logistics services comprising letter and parcel dispatch in Germany, express delivery, freight transport, supply chain management and e-commerce solutions. 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. The requirement is that a contract with enforceable rights and obligations exists and, amongst other things, the receipt of consideration is likely, taking into account the customer's credit quality. The 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 certain time or over a certain period of time. The obligation to perform transport services is fulfilled over a certain period of 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 capitalised at cost if it is probable that their production will generate an inflow of future economic benefits and the costs can be reliably measured. In the Group, this concerns internally developed software. If the criteria for capitalisation are not met, the expenses are recognised immediately in income in the year in which they are incurred. In addition to direct costs, the production cost of internally developed software includes an appropriate share of allocable production overhead costs. Any borrowing costs incurred for qualifying assets are included in the production cost. Value added tax arising in conjunction with the acquisition or production of intangible assets is included in the cost if it cannot be deducted as input tax. Capitalised software is amortised over its useful life.

Intangible assets (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 section headed Impairment. 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 section headed Impairment.

Property, plant and equipment

Property, plant and equipment is carried at cost, reduced by accumulated depreciation and valuation allowances. In addition to direct costs, production cost includes an appropriate share of allocable production overhead costs. Borrowing costs that can be allocated directly to the purchase, construction or manufacture of property, plant and equipment are capitalised. Value added tax arising in conjunction with the acquisition or production of items of property, plant or equipment is included in the cost if it cannot be deducted as input tax. Depreciation is charged using the straight-line method. The estimated useful lives applied to the major asset classes are presented in the table below:

Useful lives

	Years[1]
Buildings	20 to 50
Technical equipment and machinery	10 to 20
Aircraft	15 to 20
IT 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 special factors such as time and location.

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

Impairment

At each 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, 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.

Since 1 January 2018, 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 implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate.

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

- lease liabilities;
- 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 will make use of the relief options provided for leases of low-value assets and short-term leases (shorter than twelve months) and expense the payments in the income statement according to the straight-line method. Additionally, the requirements do not apply to leases on intangible assets. The Group also exercises the option available for contracts comprising lease components as well as non-lease components not to split 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 in accordance with IAS 17.

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.

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 shown under other operating income.

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.

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, as well as impairment losses and their reversals, are recognised in other operating income or other operating expenses.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and derivative financial assets. 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 according to 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 profit or loss 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 profit or loss.

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 must be 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 profit or loss. Dividends from such instruments are reported in other income in the income statement.

Impairment

As at 1 January 2018, the Group began making 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 twelve 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 twelve-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 presented in other operating expenses. In turn, gains on the reversal of impairment losses are presented in other operating income.

Further details are presented in note 42.

Derivatives and hedges

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 asset acquired or liability assumed affects profit or loss. If a hedge of a firm commitment subsequently results in the recognition of a non-financial asset, the gains and losses recognised directly in equity are included in the initial carrying amount of the asset (basis adjustment).

Net investment hedges in foreign entities are treated in the same way as cash flow hedges. The gain or loss from the effective portion of the hedge is recognised in other comprehensive income, whilst the gain or loss attributable to the ineffective portion is recognised directly in income. The gains or losses recognised in other comprehensive income remain there until the disposal or partial disposal of the net investment. Detailed information on hedging transactions can be found in note 42.

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 set off on the basis of netting agreements (master netting arrangements) only if there is an enforceable right of set-off and settlement on a net basis is intended as at the reporting date.

If the right of set-off is not enforceable in the normal course of business, the financial assets and liabilities are recognised in the balance sheet at their gross amounts as at the reporting date. The master netting arrangement then creates only a conditional right of set-off.

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 section headed Impairment.

Inventories

Inventories are assets that are held for sale in the ordinary course of business, are in the process of production, or are consumed in the production process or in the rendering of services. They are measured at the lower of cost or net realisable value. Valuation allowances are charged for obsolete inventories and slow-moving goods.

Government grants
In accordance with IAS 20, government grants are recognised at their fair value only when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. The grants are reported in the income statement and are generally recognised as income over the periods in which the costs they are intended to compensate are incurred. Where the grants relate to the purchase or production of assets, they are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Assets held for sale and liabilities associated with assets held for sale
Assets held for sale are assets available for sale in their present condition and whose sale is highly probable. The sale must be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets held for sale may consist of individual non-current assets, groups of assets (disposal groups), components of an entity or a subsidiary acquired exclusively for resale (discontinued operations). Liabilities intended to be disposed of together with the assets in a single transaction form part of the disposal group or discontinued operation and are also reported separately as liabilities associated with assets held for sale. Assets held for sale are no longer depreciated or amortised, but are recognised at the lower of their fair value less costs to sell and the carrying amount. Gains and losses arising from the remeasurement of individual non-current assets or disposal groups classified as held for sale are reported in profit or loss from continuing operations until the final date of disposal. Gains and losses arising from the measurement at fair value less costs to sell of discontinued operations classified as held for sale are reported in profit or loss from discontinued operations. This also applies to the profit or loss from operations and the gain or loss on disposal of these components of an entity.

Cash and cash equivalents
Cash and cash equivalents comprise cash, demand deposits and other short-term liquid financial assets with an original maturity of up to three months; 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 this impacting the existing control relationship, this is presented as an equity transaction. The difference between the proportionate net assets acquired from, or sold to, another shareholder / other shareholders and the purchase price is recognised in other comprehensive income. If non-controlling interests are increased by the proportionate net assets, no goodwill is allocated to the proportionate net assets.

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

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 profit and loss in other comprehensive income. Any rights to reimbursement are reported separately in financial assets.

DEFINED CONTRIBUTION RETIREMENT PLANS FOR CIVIL SERVANTS IN GERMANY
In accordance with statutory provisions, Deutsche Post AG pays contributions for civil servants in Germany to retirement benefit 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 of the 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 of the PostPersRG, the federal government makes good the difference between the current payment obligations of the PVK on the one hand, and the funding companies' current contributions or other return on assets on the other, and guarantees that the PVK is able at all times to meet the obligations it has assumed in respect of its funding companies. Insofar as the federal government makes payments to the PVK under the terms of this guarantee, it cannot claim reimbursement from Deutsche Post AG.

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

Defined contribution retirement plans are in place for the Group's hourly workers and salaried employees, particularly in the UK, the USA 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 USA and the Netherlands. However, the relevant institutions do not provide the participating companies with sufficient information to use defined benefit accounting. The plans are therefore accounted for as if they were defined contribution plans.

Regarding these multi-employer plans in the USA, contributions are made based on collective agreements between the employer and the local union, 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 2020 are €56 million (actual employer contributions in the reporting period: €54 million, in the previous year: €47 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.

For one multi-employer plan in the Netherlands, cost coverage-based contribution rates are set annually by the management board of the pension fund with the involvement of the Central Bank of the Netherlands; the contribution rates are the same for all participating employers and employees. There is no liability for the employer towards the fund beyond the contributions set, even in the case of withdrawal or obligations not met by other entities. Any subsequent underfunding ultimately results in the rights of members being cut and/or no indexation of their rights. The expected employer contributions to the fund for 2020 are €23 million (actual employer contributions in the reporting period: €23 million, in the previous year: €22 million). As at 31 December 2019, the coverage degree of plan funding was above 100%, but below 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 −0.20% and 7.50% (previous year: 0.0% and 11.50%). 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
On initial recognition, financial liabilities are carried at fair value less transaction costs. The price determined on a price-efficient and liquid market or a fair value determined using the treasury risk management system deployed within the Group is taken as the fair value. In subsequent periods the financial liabilities are measured at amortised cost. Any differences between the amount received and the amount repayable are recognised in income over the term of the loan using the effective interest method.

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

CONVERTIBLE BOND ON DEUTSCHE POST AG SHARES
The convertible bond on Deutsche Post AG shares is split into an equity and a debt component, in line with the contractual arrangements. The debt component, less the transaction costs, is reported under financial liabilities (bonds), with interest added up to the issue amount over the term of the bond using the effective interest method (unwinding of discount). The value of the call option, which allows Deutsche Post AG to redeem the bond early if a specified share price is reached, is attributed to the debt component in accordance with IAS 32.31. The conversion right is classified as an equity derivative and is reported in capital reserves. The carrying amount is calculated by assigning to the conversion right the residual value that results from deducting the amount calculated separately for the debt component from the fair value of the instrument as a whole. The transaction costs are deducted on a proportionate basis.

Liabilities
Trade payables and other liabilities are carried at amortised cost. 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 27.

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: 39%).

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 43.

7 Exercise of judgement in applying the accounting policies

The preparation of IFRS-compliant consolidated financial statements requires the exercise of judgement by management. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances.

For example, this applies to assets held for sale. In this case, it must be determined whether the assets are available for sale in their present condition and whether their sale is highly probable. If 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 36.

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 cost of capital or a decline in the long-term growth rate – could result in an impairment loss that could negatively affect the Group's net assets, financial position and results of operations.

Pending legal proceedings in which the Group is involved are disclosed in note 44. The outcome of these proceedings could have a significant effect on the net assets, financial position and results of operations of the Group. Management regularly analyses the information currently available about these proceedings and recognises provisions for probable obligations including estimated legal costs. Internal and external legal advisers participate in making this assessment. In deciding on the necessity for a provision, management takes into account the probability of an unfavourable outcome and whether the amount of the obligation can be estimated with sufficient reliability. The fact that an action has been launched or a claim asserted against the Group, or that a legal dispute has been disclosed in the notes, does not necessarily mean that a provision is recognised for the associated risk.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the 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. For example, Brexit could affect the Group's net assets, financial position and results of operations, see Combined Management Report, Opportunities and risks, page 67. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be significant adjustments in financial year 2020 to the carrying amounts of the assets and liabilities recognised in the financial statements.

8 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and the subsidiaries, joint 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 2019.

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

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

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

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

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

Segment reporting

9 Segment reporting

Segments by division

€m

	Post & Parcel Germany[1]		Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions[1]		Corporate Functions		Consolidation[1,2]		Group	
1 Jan. to 31 Dec.	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
External revenue	14,766	15,099	15,775	16,734	14,063	14,175	13,201	13,332	3,578	3,852	167	149	0	0	**61,550**	**63,341**
Internal revenue	342	385	372	367	915	953	149	104	256	193	1,457	1,328	–3,491	–3,330	**0**	**0**
Total revenue	15,108	15,484	16,147	17,101	14,978	15,128	13,350	13,436	3,834	4,045	1,624	1,477	–3,491	–3,330	**61,550**	**63,341**
Profit/loss from operating activities (EBIT)	683	1,230	1,957	2,039	442	521	520	912	–27	–51	–414	–521	1	–2	**3,162**	**4,128**
of which net income/loss from investments accounted for using the equity method	0	0	–1	1	1	–2	1	3	–3	–5	0	–5	0	0	**–2**	**–8**
Segment assets	5,577	5,949	13,766	15,640	8,728	8,714	8,248	7,854	1,750	1,723	4,935	5,495	–96	–84	**42,908**	**45,291**
of which investments accounted for using the equity method	0	0	33	34	24	22	12	14	30	32	21	21	–1	0	**119**	**123**
Segment liabilities	2,311	2,724	3,635	3,801	3,105	3,058	3,229	3,127	589	629	1,520	1,530	–75	–62	**14,314**	**14,807**
Net segment assets/liabilities	3,266	3,225	10,131	11,839	5,623	5,656	5,019	4,727	1,161	1,094	3,415	3,965	–21	–22	**28,594**	**30,484**
Capex (assets acquired)	620	469	1,190	2,080	110	114	282	323	166	132	290	502	–10	–3	**2,648**	**3,617**
Capex (right-of-use assets)	1	29	739	940	158	159	805	701	175	126	518	772	1	0	**2,397**	**2,727**
Total capex	621	498	1,929	3,020	268	273	1,087	1,024	341	258	808	1,274	–9	–3	**5,045**	**6,344**
Depreciation and amortisation	293	343	1,151	1,314	238	254	821	867	151	201	623	662	–1	–1	**3,276**	**3,640**
Impairment losses	10	0	1	0	0	0	5	30	0	12	0	1	0	1	**16**	**44**
Total depreciation, amortisation and impairment losses	303	343	1,152	1,314	238	254	826	897	151	213	623	663	–1	0	**3,292**	**3,684**
Other non-cash income (–) and expenses (+)	530	182	273	316	66	26	204	206	26	61	74	85	–7	–1	**1,166**	**875**
Employees[3]	159,032	159,100	93,550	96,850	43,347	44,265	151,877	155,791	29,493	30,797	12,272	12,659	0	–1	**489,571**	**499,461**

[1] Prior-period amounts adjusted. [2] Including rounding. [3] Average FTEs.

Adjustment of prior-period amounts
Effective as of 1 January 2019, the Post - eCommerce - Parcel division was split into a German and an international division, each led by a separate member of the Board of Management. The German business was renamed Post & Parcel Germany and the international business is now called eCommerce Solutions. The prior-period amounts were adjusted accordingly.

Information about geographical regions

€m

	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 Dec.	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
External revenue	18,759	19,040	18,464	18,807	11,163	11,841	10,766	11,040	2,398	2,613	**61,550**	**63,341**
Non-current assets	9,229	9,949	10,065	10,342	6,740	7,695	4,563	4,842	524	639	**31,121**	**33,467**
Capex	1,658	2,160	1,333	1,323	1,333	1,997	594	649	127	215	**5,045**	**6,344**

9.1 Segment reporting disclosures

Deutsche Post DHL Group reports five operating segments for financial year 2019; 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 compensation 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 using profit/loss from operating activities (EBIT).

9.2 Segments by division

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

Post & Parcel Germany

The Post & Parcel Germany division transports, sorts and delivers documents and goods in and outside of Germany. This also includes digital transmissions such as information on shipment status and digital messages.

Express

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

Global Forwarding, Freight

The activities of the Global Forwarding, Freight division comprise the transport of goods by road, air and sea. 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.

eCommerce Solutions

The eCommerce Solutions division is home to the Group's international parcel delivery business. Core activities include parcel delivery within selected countries in Europe, the United States and Asia as well as cross-border non-TDI services, especially to, from, and within Europe.

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

Corporate Functions

Corporate Functions comprises Corporate Center/Other and Corporate Incubations. Corporate Center/Other includes Global Business Services (GBS), the Corporate Center, non-operating activities and other business activities. The profit/loss generated by GBS is allocated to the operating segments, whilst its assets and liabilities remain with GBS (asymmetrical allocation). The Corporate Incubations board department is an incubator for mobility solutions, digital platforms, automation and other technological innovations.

Consolidation

The data for the divisions is presented following consolidation of interdivisional transactions. The transactions between the divisions are eliminated in the Consolidation column.

9.3 Information about geographical regions

The main geographical regions in which the Group is active are Germany, Europe, the Americas, Asia Pacific and Other regions. External revenue, non-current assets and capex are disclosed for these regions. Revenue, assets and capex are allocated to the individual regions on the basis of the domicile of the reporting entity. Non-current assets primarily comprise intangible assets, property, plant and equipment and other non-current assets.

9.4 Reconciliation of segment amounts

Reconciliation of segment amounts to consolidated amounts

Reconciliation to the income statement

€m

	Total for reported segments[1]		Corporate Functions		Reconciliation to Group/Consolidation[1,2]		Consolidated amount	
	2018	2019	2018	2019	2018	2019	2018	2019
External revenue	61,383	63,192	167	149	0	0	**61,550**	**63,341**
Internal revenue	2,034	2,002	1,457	1,328	–3,491	–3,330	**0**	**0**
Total revenue	**63,417**	**65,194**	**1,624**	**1,477**	**–3,491**	**–3,330**	**61,550**	**63,341**
Other operating income	1,955	2,340	1,553	1,570	–1,594	–1,559	**1,914**	**2,351**
Changes in inventories and work performed and capitalised	–176	39	70	174	193	26	**87**	**239**
Materials expense	–33,901	–34,365	–1,336	–1,300	3,564	3,595	**–31,673**	**–32,070**
Staff costs	–19,849	–20,578	–986	–1,042	10	10	**–20,825**	**–21,610**
Depreciation, amortisation and impairment losses	–2,670	–3,021	–623	–663	1	0	**–3,292**	**–3,684**
Other operating expenses	–5,199	–4,955	–716	–732	1,318	1,256	**–4,597**	**–4,431**
Net loss from investments accounted for using the equity method	–2	–3	0	–5	0	0	**–2**	**–8**
Profit/loss from operating activities (EBIT)	**3,575**	**4,651**	**–414**	**–521**	**1**	**–2**	**3,162**	**4,128**
Net finance costs							**–576**	**–654**
Profit before income taxes							**2,586**	**3,474**
Income taxes							**–362**	**–698**
Consolidated net profit for the period							**2,224**	**2,776**
of which attributable to								
Deutsche Post AG shareholders							**2,075**	**2,623**
Non-controlling interests							**149**	**153**

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

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

Reconciliation to segment assets

€m

	2018	2019
Total equity and liabilities	50,470	52,169
Investment property	−18	−25
Non-current financial assets	−582	−594
Other non-current assets	−260	−242
Deferred tax assets	−2,532	−2,525
Income tax assets	−210	−232
Receivables and other current assets	−13	−20
Current financial assets	−930	−378
Cash and cash equivalents	−3,017	−2,862
Segment assets	**42,908**	**45,291**
of which Corporate Functions	4,935	5,495
Total for reported segments[1]	38,069	39,880
Consolidation[1,2]	−96	−84

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

	2018	2019
Total equity and liabilities	50,470	52,169
Equity	−13,873	−14,392
Consolidated liabilities	**36,597**	**37,777**
Non-current provisions and liabilities	−18,909	−19,372
Current provisions and liabilities	−3,374	−3,598
Segment liabilities	**14,314**	**14,807**
of which Corporate Functions	1,520	1,530
Total for reported segments[1]	12,869	13,339
Consolidation[1,2]	−75	−62

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

Income statement disclosures

10 Revenue by business unit

€m

	2018	2019
Post & Parcel Germany[1]	**14,766**	**15,099**
Post	9,344	9,201
Parcel	5,333	5,816
Other	89	82
Express	**15,775**	**16,734**
Global Forwarding, Freight	**14,063**	**14,175**
Global Forwarding	10,430	10,484
Freight	3,633	3,691
Supply Chain	**13,201**	**13,332**
eCommerce Solutions[1]	**3,578**	**3,852**
Corporate Functions	**167**	**149**
Total revenue	**61,550**	**63,341**

[1] Prior-period amounts adjusted due to new segment structure, note 9.

This includes revenue from performance obligations in the amount of €10 million (previous year: €13 million) settled in prior periods. The change in revenue was due to the following factors:

Factors affecting revenue, 2019

€m

Organic growth	1,427
Portfolio changes[1]	−382
Currency translation effects	746
Total	**1,791**

[1] Notes 2 and 41.

The allocation of revenue to geographical regions is presented in the segment reporting.

11 Other operating income

€m	2018	2019
Income from the disposal of assets	101	525
Insurance income	219	247
Income from the remeasurement of liabilities	134	197
Income from currency translation	213	184
Reversals of impairment losses on receivables and other assets	125	140
Income from the reversal of provisions	200	124
Income from fees and reimbursements	127	124
Commission income	99	80
Operating lease income	49	68
Sublease income	37	50
Income from prior-period billings	54	42
Income from loss compensation	27	31
Income from derivatives	62	23
Recoveries on receivables previously written off	17	18
Subsidies	16	18
Income from the derecognition of liabilities	15	18
Miscellaneous	419	462
Total	**1,914**	**2,351**

Income from the disposal of assets increased, in particular due to the sale of the Supply Chain business in China, note 2.

Subsidies relate to grants for the purchase or production of assets. The grants are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Miscellaneous other operating income includes a large number of smaller individual items.

12 Changes in inventories and work performed and capitalised

€m	2018	2019
Changes in inventories – income (+) / expense (–)	–222	–130
Work performed and capitalised	309	369
Total	**87**	**239**

Changes in inventories relate mainly to real estate development projects and the production of StreetScooter electric vehicles. Work performed and capitalised was attributable primarily to StreetScooter GmbH.

13 Materials expense

€m	2018	2019
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Aircraft fuel	1,478	1,452
Fuel	797	800
Packaging material	435	481
Goods purchased and held for resale	241	265
Spare parts and repair materials	113	124
Office supplies	71	71
Other expenses	379	412
	3,514	**3,605**
Cost of purchased services		
Transport costs	21,462	21,928
Cost of temporary staff and services	2,347	2,244
Maintenance costs	1,277	1,347
Lease expenses		
Short-term leases	664	544
Leases (incidental expenses)	56	72
Low-value asset leases	46	54
Variable lease payments	33	22
IT services	604	589
Commissions paid	590	581
Other purchased services	1,080	1,084
	28,159	**28,465**
Materials expense	**31,673**	**32,070**

The increase in materials expense resulted from currency effects and higher transport costs.

A total of €188 million (previous year: €257 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 a large number of individual items.

14 Staff costs / employees

€m

	2018	2019
Wages, salaries and compensation	16,840	17,399
Social security contributions	2,522	2,656
Retirement benefit expenses	846	688
Expenses for other employee benefits	617	867
Staff costs	**20,825**	**21,610**

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 largely due to salary increases and new hires as well as expenses for the early retirement programme in the Post & Parcel Germany division.

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 €409 million (previous year: €449 million), as well as for the Group's hourly workers and salaried employees, totalling €347 million (previous year: €307 million), note 6. For information on the decline in retirement benefit expenses, see note 36.

The average number of Group employees in the reporting period, broken down by employee group, was as follows:

Employees

Headcount

	2018	2019
Headcount (annual average)		
Hourly workers and salaried employees	499,943	512,325
Civil servants	28,718	26,296
Trainees	5,709	5,661
Total	**534,370**	**544,282**
Full-time equivalents[1]		
As at 31 December	504,902	504,781
Average for the year	489,571	499,461

[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 2019 amounted to 326 on a proportionate basis (previous year: 276).

15 Depreciation, amortisation and impairment losses

€m

	2018	2019
Amortisation of and impairment losses on intangible assets (excluding goodwill), of which impairment loss: 1 (previous year: 2)	195	211
Depreciation of and impairment losses on property, plant and equipment acquired, of which impairment losses: 20 (previous year: 4)		
Land and buildings	182	207
Technical equipment and machinery	319	379
Transport equipment	234	276
Aircraft	266	327
IT equipment	138	144
Operating and office equipment	86	94
Advance payments and assets under development	1	0
Investment property	0	2
	1,226	**1,429**
Depreciation of and impairment losses on right-of-use assets, of which impairment losses: 19 (previous year: 10)		
Land and buildings	1,325	1,451
Technical equipment and machinery	45	52
Transport equipment	195	224
Aircraft	304	310
IT equipment	1	1
Investment property	1	2
	1,871	**2,040**
Impairment of goodwill	**0**	**4**
Depreciation, amortisation and impairment losses	**3,292**	**3,684**

The depreciation, amortisation and impairment losses item includes impairment losses totalling €44 million as follows:

Impairment losses

€m	2018	2019
Post & Parcel Germany		
Intangible assets	2	0
Acquired property, plant and equipment	2	0
Right-of-use assets	6	0
Express		
Acquired property, plant and equipment	1	0
Supply Chain		
Intangible assets	0	3
Acquired property, plant and equipment	1	19
Right-of-use assets	4	8
eCommerce Solutions		
Intangible assets	0	1
Acquired property, plant and equipment	0	1
Right-of-use assets	0	10
Corporate Functions		
Right-of-use assets	0	1
Consolidation (including rounding)	0	1
Impairment losses	**16**	**44**

Impairment losses in the Supply Chain segment related mainly (€21 million) to the non-current assets of the power packaging business in the United States, which was sold in the fourth quarter of 2019. Another €12 million related to the disposal of assets as part of the strategic partnership with Austrian Post (eCommerce Solutions segment). In the previous year, €10 million of the impairment losses was attributable to All you need GmbH, which was reclassified to assets held for sale and liabilities associated with assets held for sale.

16 Other operating expenses

€m	2018	2019
Cost of purchased cleaning and security services	411	442
Warranty expenses, refunds and compensation payments	346	388
Expenses for advertising and public relations	374	371
Travel and training costs	348	350
Other business taxes	263	280
Write-downs of current assets	239	239
Telecommunication costs	213	220
Office supplies	183	202
Entertainment and corporate hospitality expenses	185	188
Insurance costs	326	184
Currency translation expenses	207	179
Services provided by the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	182	152
Customs clearance-related charges	134	149
Consulting costs (including tax advice)	132	111
Voluntary social benefits	103	86
Legal costs	67	70
Monetary transaction costs	62	70
Losses on disposal of assets	72	67
Commissions paid	56	59
Contributions and fees	106	54
Audit costs	34	34
Donations	22	20
Expenses from prior-period billings	30	17
Expenses from derivatives	29	8
Miscellaneous	473	491
Total	**4,597**	**4,431**

For reasons of transparency, the disclosure of personal insurance expenses was standardised as staff costs in the reporting period. Insurance expenses declined by €195 million.

Miscellaneous other operating expenses include part of the restructuring expenses for Post & Parcel Germany, Supply Chain and eCommerce Solutions.

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

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

17 Net finance costs

€m	2018	2019
Financial income		
Interest income	64	100
Gains on changes in fair value of financial assets	63	80
Other financial income	74	14
	201	**194**
Finance costs		
Interest expense from unwinding discounts on provisions	−98	−113
Interest expense on leases	−376	−416
Other interest expenses	−155	−172
Losses on changes in fair value of financial assets	−89	−92
Other finance costs	−32	−53
	−750	**−846**
Foreign currency losses	**−27**	**−2**
Net finance costs	**−576**	**−654**

The deterioration in net finance costs resulted mainly from higher interest expense on leases and lower income from stock appreciation rights (SARs).

The expense from the unwinding of discounts on bonds resulting from the application of the effective interest method amounted to €12 million (previous year: €12 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 unwinding discounted net pension provisions can be found in note 36.

18 Income taxes

€m	2018	2019
Current income tax expense	–697	–704
Current recoverable income tax	14	71
	–683	**–633**
Deferred tax expense (previous year: income) from temporary differences	127	–56
Deferred tax expense (previous year: income) from tax loss carryforwards	194	–9
	321	**–65**
Income taxes	**–362**	**–698**

The reconciliation to the effective income tax expense is shown below, based on consolidated net profit before income taxes and the expected income tax expense:

Reconciliation

€m	2018	2019
Profit before income taxes	2,586	3,474
Expected income taxes	–789	–1,060
Deferred tax assets not recognised for initial differences	12	32
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	337	176
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	171	188
Effect from previous years on current taxes	–34	39
Tax-exempt income and non-deductible expenses	–149	–173
Differences in tax rates at foreign companies	90	100
Income taxes	**–362**	**–698**

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 provisions for pensions 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 €139 million as at 31 December 2019 (previous year: €245 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 €3 million (previous year: €4 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 €391 million (previous year: €526 million). Effects from unrecognised deferred tax assets amounting to €3 million (previous year: €13 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 €11 million was recognised in the balance sheet for companies that reported a loss in the previous year or in the current period as, based on tax planning, realisation of the tax asset is probable.

In financial year 2019, there were no changes in tax rates affecting German Group companies. Tax rate changes in some tax jurisdictions abroad also had no material effects. The effective income tax expense includes prior-period tax income from German and foreign companies in the amount of €39 million (tax income) (previous year: expense of €34 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
2019			
Change due to remeasurements of net pension provisions	–1,068	77	**–991**
IAS 39 hedging reserve	3	–1	**2**
Reserve for equity instruments without recycling	–29	–1	**–30**
Currency translation reserve	273	0	**273**
Other changes in retained earnings	3	–1	**2**
Share of other comprehensive income of investments accounted for using the equity method	2	0	**2**
Other comprehensive income	**–816**	**74**	**–742**
2018			
Change due to remeasurements of net pension provisions	191	–73	**118**
IAS 39 hedging reserve	–40	14	**–26**
Reserve for equity instruments without recycling	–4	1	**–3**
Currency translation reserve	74	0	**74**
Share of other comprehensive income of investments accounted for using the equity method	2	0	**2**
Other comprehensive income	**223**	**–58**	**165**

19 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

		2018	2019
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,075	2,623
Weighted average number of shares outstanding	number	1,230,118,545	1,234,109,757
Basic earnings per share	**€**	**1.69**	**2.13**

Basic earnings per share for financial year 2019 were €2.13 (previous year: €1.69).

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 2019: 4,887,495 shares; previous year: 3,810,357 shares) 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 €2.09 (previous year: €1.66).

Diluted earnings per share

		2018	2019
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,075	2,623
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	2,082	2,630
Weighted average number of shares outstanding	number	1,230,118,545	1,234,109,757
Potentially dilutive shares	number	21,791,635	22,862,212
Weighted average number of shares for diluted earnings	number	1,251,910,180	1,256,971,969
Diluted earnings per share	**€**	**1.66**	**2.09**

20 Dividend per share

A dividend per share of €1.25 is being proposed for financial year 2019 (previous year: €1.15). Further details on the dividend distribution can be found in note 34.

Balance sheet disclosures

21 Intangible assets

21.1 Overview

€m	Internally generated intangible assets	Purchased brand names	Purchased customer lists	Other purchased intangible assets	Goodwill	Advance payments and intangible assets under development	Total
Cost							
Balance at 1 January 2018	**1,303**	**455**	**43**	**1,653**	**12,239**	**66**	**15,759**
Additions from business combinations	0	1	8	3	45	0	**57**
Additions	50	0	0	69	0	98	**217**
Reclassifications	20	0	0	54	0	–54	**20**
Disposals	–37	0	–6	–83	–127	–5	**–258**
Currency translation differences	–1	–3	–1	3	79	0	**77**
Balance at 31 December 2018/1 January 2019	**1,335**	**453**	**44**	**1,699**	**12,236**	**105**	**15,872**
Additions from business combinations	0	0	0	0	0	0	**0**
Additions	52	0	0	69	0	86	**207**
Reclassifications	1	0	0	102	0	–76	**27**
Disposals	–99	0	0	–296	–3	–9	**–407**
Currency translation differences	2	23	1	13	165	0	**204**
Balance at 31 December 2019	**1,291**	**476**	**45**	**1,587**	**12,398**	**106**	**15,903**
Amortisation and impairment losses							
Balance at 1 January 2018	**1,131**	**425**	**14**	**1,327**	**1,070**	**0**	**3,967**
Additions from business combinations	0	0	0	2	0	0	**2**
Amortisation	64	1	6	122	0	0	**193**
Impairment losses	0	0	0	2	0	0	**2**
Reclassifications	0	0	0	–1	0	0	**–1**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	–31	0	–2	–74	–32	0	**–139**
Currency translation differences	0	–4	0	3	–1	0	**–2**
Balance at 31 December 2018/1 January 2019	**1,164**	**422**	**18**	**1,381**	**1,037**	**0**	**4,022**
Additions from business combinations	0	0	0	0	0	0	**0**
Amortisation	77	1	4	128	0	0	**210**
Impairment losses	1	0	0	0	4	0	**5**
Reclassifications	–22	0	0	22	0	0	**0**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	–88	0	0	–288	–1	0	**–377**
Currency translation differences	1	22	1	10	22	0	**56**
Balance at 31 December 2019	**1,133**	**445**	**23**	**1,253**	**1,062**	**0**	**3,916**
Carrying amount at 31 December 2019	**158**	**31**	**22**	**334**	**11,336**	**106**	**11,987**
Carrying amount at 31 December 2018	**171**	**31**	**26**	**318**	**11,199**	**105**	**11,850**

Goodwill disposals in the previous year were mainly attributable to the reclassification of the supply chain business in China (€92 million) to assets held for sale and liabilities associated with assets held for sale, note 2.

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.

21.2 Allocation of goodwill to CGUs

€m	31 Dec. 2018	31 Dec. 2019
Post & Parcel Germany (formerly PeP)[1]	1,107	961
Express	3,910	3,912
Global Forwarding, Freight		
DHL Global Forwarding	3,950	4,019
DHL Freight	279	279
Supply Chain	1,939	1,992
eCommerce Solutions[1]	n.a.	160
Corporate Incubations	14	13
Total goodwill	**11,199**	**11,336**

[1] Goodwill was reassigned to the corresponding segments as at 1 January 2019 after the division of the PeP segment into the Post & Parcel Germany and eCommerce Solutions segments.

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 or its fair value less costs to sell. 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.

The cash flow projections are based on the detailed planning for EBIT, depreciation/amortisation and investment planning adopted by management, as well as changes in net working capital, and take both internal historical data and external macroeconomic data into account. From a methodological perspective, the detailed planning phase covers a three-year planning horizon from 2020 to 2022. By contrast, an extended planning phase of up to eight years is used for the CGUs eCommerce Solutions and Corporate Incubations. Planning is supplemented by a perpetual annuity representing the value added from 2023 onwards or the value added after the extended planning phase. This is calculated using a long-term growth rate, which is determined for each CGU separately and the amount of which – for CGUs whose carrying amounts are significant in comparison with the total carrying amount of goodwill – 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. Another 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	
	2018	2019	2018	2019
Post & Parcel Germany	8.0	7.7	0.5	0.5
Express	8.8	8.2	2.0	2.0
Global Forwarding, Freight				
DHL Global Forwarding	7.0	7.2	2.5	2.5
DHL Freight	7.2	7.4	2.0	2.0
Supply Chain	7.0	7.2	2.5	2.5
eCommerce Solutions	n.a.	8.9	n.a.	1.5

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 2019.

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.

22 Property, plant and equipment

Overview of property, plant and equipment, including right-of-use assets

Further information about right-of-use assets can be found in note 40.

€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 at 1 January 2018	**11,946**	**5,612**	**2,509**	**3,218**	**3,074**	**777**	**27,136**
Additions from business combinations[1]	30	9	2	50	0	0	**91**
Additions	1,959	210	174	562	462	1,461	**4,828**
Reclassifications	286	374	91	357	208	–1,338	**–22**
Disposals	–578	–208	–291	–68	–194	–13	**–1,352**
Currency translation differences	–12	14	4	104	2	11	**123**
Balance at 31 December 2018/1 January 2019	**13,631**	**6,011**	**2,489**	**4,223**	**3,552**	**898**	**30,804**
Additions from business combinations[1]	0	0	0	3	0	0	**3**
Additions	2,324	278	172	451	475	2,437	**6,137**
Reclassifications	234	321	100	819	51	–1,557	**–32**
Disposals	–830	–277	–257	–217	–315	–25	**–1,921**
Currency translation differences	157	52	25	33	30	6	**303**
Balance at 31 December 2019	**15,516**	**6,385**	**2,529**	**5,312**	**3,793**	**1,759**	**35,294**
Depreciation and impairment losses							
Balance at 1 January 2018	**2,129**	**3,220**	**1,866**	**837**	**1,209**	**0**	**9,261**
Additions from business combinations[1]	2	3	1	8	0	0	**14**
Depreciation	1,495	363	225	570	429	0	**3,082**
Impairment losses	12	1	0	0	0	1	**14**
Reclassifications	6	2	–8	0	0	0	**0**
Reversals of impairment losses	–3	–6	0	0	0	0	**–9**
Disposals	–178	–165	–266	–42	–144	–1	**–796**
Currency translation differences	14	9	3	14	–4	0	**36**
Balance at 31 December 2018/1 January 2019	**3,477**	**3,427**	**1,821**	**1,387**	**1,490**	**0**	**11,602**
Additions from business combinations[1]	0	0	0	1	0	0	**1**
Depreciation	1,640	411	239	637	500	0	**3,427**
Impairment losses	18	20	0	0	0	0	**38**
Reclassifications	–6	1	6	0	0	0	**1**
Reversals of impairment losses	0	–1	0	–3	0	0	**–4**
Disposals	–351	–233	–248	–102	–248	0	**–1,182**
Currency translation differences	43	27	18	7	13	0	**108**
Balance at 31 December 2019	**4,821**	**3,652**	**1,836**	**1,927**	**1,755**	**0**	**13,991**
Carrying amount at 31 December 2019	**10,695**	**2,733**	**693**	**3,385**	**2,038**	**1,759**	**21,303**
Carrying amount at 31 December 2018	**10,154**	**2,584**	**668**	**2,836**	**2,062**	**898**	**19,202**

[1] Also includes a proportionate change from joint operations.

Disposals in the previous year related chiefly to the reclassification of the supply chain business in China to assets held for sale and liabilities associated with assets held for sale and disposals of right-of-use assets as a result of amended lease terms and terminations.

Advance payments relate only to advance payments on items of property, plant and equipment for which the Group has paid advances in connection with uncompleted transactions. They increased chiefly due to the renewal of the intercontinental Express aircraft fleet, for which €1,100 million was paid in the financial year.

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.

23 Investment property

€m	2018	2019
Cost		
Balance at 1 January	34	29
Additions	8	8
Reclassifications	–5	5
Disposals	–8	–4
Currency translation differences	0	0
Balance at 31 December	**29**	**38**
Depreciation and impairment losses		
Balance at 1 January	13	11
Depreciation and impairment losses	1	3
Impairment losses	1	1
Disposals	–3	–2
Reclassifications	–1	0
Currency translation differences	0	0
Balance at 31 December	**11**	**13**
Carrying amount at 31 December	**18**	**25**
of which right-of-use assets	1	10

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

Rental income for investment property amounted to €4 million (previous year: €3 million), whilst the related expenses were €3 million (previous year: €1 million). The fair value amounted to €50 million (previous year: €48 million).

24 Investments accounted for using the equity method

The following 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:

€m	Associates		Joint ventures		Total	
	2018	2019	2018	2019	2018	2019
Balance at 1 January	82	106	3	13	**85**	**119**
Additions	36	12	9	0	**45**	**12**
Disposals	–9	0	0	0	**–9**	**0**
Impairment losses	0	0	0	0	**0**	**0**
Changes in Group's share of equity						
Changes recognised in profit or loss	–3	–10	1	2	**–2**	**–8**
Profit distributions	–2	–2	0	0	**–2**	**–2**
Changes recognised in other comprehensive income	2	2	0	0	**2**	**2**
Balance at 31 December	**106**	**108**	**13**	**15**	**119**	**123**
Aggregate financial data						
Profit after income taxes	–3	–10	1	2	**–2**	**–8**
Other comprehensive income	2	2	0	0	**2**	**2**
Total comprehensive income	–1	–8	1	2	**0**	**–6**

Additions mainly relate to the acquisition of another 4.9% interest in Relais Colis SAS, France, which is accounted for using the equity method.

25 Financial assets

€m	Non-current		Current		Total	
	2018	2019	2018	2019	2018	2019
Assets measured at cost	499	490	100	369	**599**	**859**
Assets at fair value through other comprehensive income	43	34	0	0	**43**	**34**
Assets at fair value through profit or loss	188	235	843	25	**1,031**	**260**
Financial assets	**730**	**759**	**943**	**394**	**1,673**	**1,153**

Assets measured at cost increased due to the purchase of promissory note loans. At the same time, assets measured at fair value decreased, largely on account of the sale of money market fund shares.

Compared with the market rates of interest prevailing at 31 December 2019 for comparable non-current financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognised in the balance sheet at a present value of €2 million (previous year: €3 million). The principal amount of these loans totals €2 million (previous year: €3 million).

Net impairment losses amounted to €–69 million (previous year: €–93 million).

Details on restraints on disposal are contained in note 42.2.

26 Other assets

Other assets were up primarily as the result of increased tax receivables, higher contract assets in connection with real estate development projects and the rise in assets from insurance contracts.

No valuation allowances were recognised on contract assets. Of the tax receivables, €420 million (previous year: €368 million) relates to VAT, €91 million (previous year: €70 million) to customs and duties, and €43 million (previous year: €36 million) to other tax receivables.

Information on pension assets can be found in note 36.

Miscellaneous other assets include a large number of individual items.

€m	2018	2019
Prepaid expenses	646	759
Current tax receivables	474	554
Pension assets, non-current only	260	242
Contract assets	59	129
Income from cost absorption	125	127
Other assets from insurance contracts	83	126
Creditors with debit balances	49	72
Recoverable start-up costs, non-current only	34	55
Receivables from insurance business	40	48
Receivables from private postal agencies	124	44
Receivables from loss compensation (recourse claims)	30	32
Receivables from employees	31	29
Receivables from cash on delivery	8	4
Receivables from asset disposals	3	0
Other assets, of which non-current: 98 (previous year: 59)	756	772
Other assets	**2,722**	**2,993**
of which current	2,369	2,598
non-current	353	395

27 Deferred taxes

Breakdown by balance sheet item and maturity

€m

	2018		2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	15	96	4	97
Property, plant and equipment	54	1,723	350	1,917
Non-current financial assets	14	89	3	96
Other non-current assets	15	1	13	8
Other current assets	28	62	58	52
Provisions	620	20	560	45
Financial liabilities	1,708	17	1,621	27
Other liabilities	101	26	158	13
Tax loss carryforwards	1,957		1,957	
Gross amount	**4,512**	**2,034**	**4,724**	**2,255**
of which current	1,114	510	759	215
non-current	3,398	1,524	3,965	2,040
Netting	−1,980	−1,980	−2,199	−2,199
Carrying amount	**2,532**	**54**	**2,525**	**56**

A total of €1,422 million (previous year: €1,551 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €535 million (previous year: €406 million) to foreign tax loss carryforwards (mainly from the Americas region).

No deferred tax assets were recognised for tax loss carryforwards of around €4.2 billion (previous year: €5.0 billion) chiefly from the Americas region and for temporary differences of around €3.5 billion (previous year: €2.2 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 2027.

Deferred taxes have not been recognised for temporary differences of €528 million (previous year: €510 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

28 Inventories

Adequate valuation allowances were recognised.

€m

	2018	2019
Raw materials, consumables and supplies	233	251
Finished goods and goods purchased and held for resale	150	75
Work in progress	69	65
Advance payments	2	5
Inventories	**454**	**396**

29 Trade receivables

€m

	2018	2019
Trade receivables	7,581	7,828
Deferred revenue	666	733
Trade receivables	**8,247**	**8,561**

For information on impairment losses, default risk and maturity structures, see note 42.

30 Cash and cash equivalents

€m

	2018	2019
Cash equivalents	1,116	1,103
Bank balances / cash in transit	1,801	1,675
Cash	16	13
Other cash and cash equivalents	84	71
Cash and cash equivalents	**3,017**	**2,862**

Of the €2,862 million in cash and cash equivalents, €1,054 million was not available for general use by the Group as at the reporting date (previous year: €977 million). Of this amount, €979 million (previous year: €905 million) was attributable to countries where exchange controls or other legal restrictions apply (mostly China, India and Thailand) and €75 million (previous year: €72 million) primarily to companies with non-controlling interest shareholders.

31 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	
	2018	2019	2018	2019
Sale of CSG.PB GmbH, Germany – Corporate Functions segment	0	8	0	14
Sale of the Supply Chain business in China, Hong Kong and Macao – Supply Chain segment	414	0	228	0
Other	12	1	0	0
Assets held for sale and liabilities associated with assets held for sale	**426**	**9**	**228**	**14**

The sale of CSG.PB GmbH, which provides facility management services, is planned for the end of March 2020. 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.

CSG.PB GmbH

€m	31 Dec. 2019
Non-current assets	8
of which goodwill	0
Current assets	0
Cash and cash equivalents	0
ASSETS	**8**
Non-current provisions and liabilities	11
Current provisions and liabilities	3
EQUITY AND LIABILITIES	**14**

The sale of the Supply Chain business in China to S.F. Holding, China, was completed in February 2019, note 2.

The planned sales of the Swiss DHL Supply Chain business and the assets of DHL Paket (Austria) GmbH (eCommerce Solutions segment) as part of an asset deal with Austrian Post were reported during the financial year. The sales have now been completed, notes 15 and 41.

32 Issued capital and purchase of treasury shares

As at 31 December 2019, KfW Bankengruppe (KfW) held a 20.5% interest, unchanged from the previous year, in the share capital of Deutsche Post AG. Free float accounts for 79.4% of the shares and the remaining 0.1% of shares are owned by Deutsche Post AG. KfW holds the shares in trust for the Federal Republic of Germany.

32.1 Changes in issued capital

The issued capital amounts to €1,237 million. It is composed of 1,236,506,759 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

€	2018	2019
Issued capital		
Balance at 1 January	1,228,707,545	1,236,506,759
Addition due to contingent capital increase (convertible bond)	5,379,106	0
Addition due to contingent capital increase (Performance Share Plan)	2,420,108	0
Balance at 31 December	**1,236,506,759**	**1,236,506,759**
Treasury shares		
Balance at 1 January	−4,513,582	−3,628,651
Purchase of treasury shares	−1,284,619	−385,120
Issue/sale of treasury shares	2,169,550	3,030,077
Balance at 31 December	**−3,628,651**	**−983,694**
Total at 31 December	**1,232,878,108**	**1,235,523,065**

32.2 Authorised and contingent capital

Authorised/contingent capital at 31 December 2019

	Amount €m	Purpose
Authorised Capital 2017	160	Increase in share capital against cash/non-cash contributions (until 27 April 2022)
Contingent Capital 2014	38	Issue of Performance Share Units to executives (until 7 May 2018)
Contingent Capital 2017	75	Issue of options/conversion rights (until 27 April 2022)
Contingent Capital 2018/1	12	Issue of Performance Share Units to executives (until 23 April 2021)
Contingent Capital 2018/2	33	Issue of options/conversion rights (until 23 April 2021)

Authorised Capital 2017

As resolved by the Annual General Meeting on 28 April 2017, the Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 160 million new, no-par value registered shares until 27 April 2022 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. The authorisation may be used in full or for partial amounts. Shareholders generally have 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 reporting period.

Contingent Capital 2014

In its resolution dated 27 May 2014, the Annual General Meeting authorised the Board of Management to contingently increase the share capital by up to €40 million through the issue of up to 40 million new no-par value registered shares. The contingent capital increase served to grant subscription rights (Performance Share Units, PSUs) to selected Group executives. The contingent capital increase will only be implemented to the extent that shares are issued based on the PSUs granted and the company does not settle the PSUs by cash payment or delivery of treasury shares. The new shares participate in profit from the beginning of the financial year in which they are issued. The exercising of the authorisation in 2018 resulted in 2.4 million new shares that were issued to executives in September 2018. No use was made of the authorisation in financial year 2019. Contingent Capital 2014 amounts to €37.6 million.

Contingent Capital 2017

In its resolution dated 28 April 2017, the Annual General Meeting authorised the Board of Management, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1.5 billion, on one or more occasions until 27 April 2022, thereby granting options or conversion rights for up to 75 million shares with a proportionate interest in the share capital not to exceed €75 million. The 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. No use was made of the authorisation in financial year 2019.

Contingent Capital 2018/1

In its resolution dated 24 April 2018, the Annual General Meeting contingently increased the share capital by up to €12 million through the issue of up to 12 million no-par value registered shares. The contingent capital increase serves to grant Performance Share Units (PSUs) to selected Group executives. The shares will be issued to beneficiaries based on the aforementioned authorisation resolution. The new shares participate in profit from the beginning of the financial year in which they are issued. No use was made of the authorisation in the reporting period.

Contingent Capital 2018/2

The share capital was contingently increased by up to €33 million through the issue of up to 33 million no-par value registered shares. The contingent capital increase serves to grant options or conversion rights or to settle conversion obligations and to grant shares in lieu of cash payments to the holders of bonds issued by the company or its Group companies in accordance with the authorisation resolution by the Annual General Meeting dated 24 April 2018. The new shares participate in profit from the beginning of the financial year in which they are issued. No use was made of the authorisation in the reporting period.

32.3 Authorisation to acquire treasury shares

By way of a resolution adopted by the Annual General Meeting on 28 April 2017, the company is authorised to acquire treasury shares in the period to 27 April 2022 of up to 10% of the share capital existing when the resolution was adopted. The authorisation permits the Board of Management to exercise it for every purpose permitted by law, and in particular to pursue the goals mentioned in the resolution by the Annual General Meeting. Treasury shares acquired on the basis of the authorisation, with shareholders' pre-emptive rights disapplied, may, furthermore, be used for the purposes of listing on a stock exchange outside Germany. In addition, the Board of Management was authorised to acquire treasury shares using derivatives.

Purchase and issuance of treasury shares

In financial year 2019, around 385 thousand shares were acquired for €11 million at an average price of €28.27 per share. Along with existing treasury shares, a total of 1.3 million shares were issued to executives to settle the Share Matching Scheme.

In the third quarter, another 1.7 million treasury shares were issued to the executives to settle the Performance Share Plan.

As at 31 December 2019, Deutsche Post AG held 983,694 treasury shares (previous year: 3,628,651 treasury shares).

32.4 Disclosures on corporate capital

In financial year 2019, the equity ratio was 27.6% (previous year: 27.5%). 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

	2018	2019
Financial liabilities	16,462	16,974
Less operating financial liabilities[1]	–199	–350
Less cash and cash equivalents	–3,017	–2,862
Less current financial assets	–943	–394
Less non-current derivative financial instruments	0	–1
Net debt	**12,303**	**13,367**
Plus total equity	13,873	14,392
Total capital	**26,176**	**27,759**
Net gearing ratio (%)	47.0	48.2

[1] Relates to e.g. liabilities from overpayments.

33 Capital reserves

€m

	2018	2019
Balance at 1 January	3,327	3,469
Share Matching Scheme		
Addition	73	31
Exercise	–64	–25
Total for Share Matching Scheme	**9**	**6**
Performance Share Plan		
Addition	26	25
Exercise	–28	–23
Total for Performance Share Plan	**–2**	**2**
Retirement/issue of treasury shares	26	0
Differences between purchase and issue prices of treasury shares	7	5
Capital increase through exercise of conversion rights under convertible bond 2012/2019	102	0
Balance at 31 December	**3,469**	**3,482**

34 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2019 amounted to €14,117 million (previous year: €13,590 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €6,484 million reported in Deutsche Post AG's annual financial statements in accordance with the HGB. The Board of Management is proposing a dividend of €1.25 per no-par value share carrying dividend rights. This corresponds to a total dividend of €1,546 million. The amount of €4,938 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 the net retained profit on the day the AGM convenes.

	Total dividend €m	Dividend per share €
Dividend distributed in financial year 2019 for the year 2018	1,419	1.15
Dividend distributed in financial year 2018 for the year 2017	1,409	1.15

35 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

	2018	2019
DHL Sinotrans International Air Courier Ltd., China	173	169
PT. Birotika Semesta, Indonesia	16	19
Blue Dart Express Limited, India	18	17
Exel Saudia LLC, Saudi Arabia	14	9
DHL Global Forwarding Abu Dhabi LLC, United Arab Emirates	8	7
Other companies	54	54
Non-controlling interests	**283**	**275**

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	
	2018	2019	2018	2019
Balance sheet				
ASSETS				
Non-current assets	131	130	109	106
Current assets	485	475	98	91
Total ASSETS	**616**	**605**	**207**	**197**
EQUITY AND LIABILITIES				
Non-current provisions and liabilities	31	32	37	38
Current provisions and liabilities	240	237	79	73
Total EQUITY AND LIABILITIES	**271**	**269**	**116**	**111**
Net assets	**345**	**336**	**91**	**86**
Non-controlling interests	173	169	18	17
Income statement				
Revenue	1,534	1,677	383	407
Profit before income taxes	340	330	20	3
Income taxes	86	82	8	2
Profit after income taxes	**254**	**248**	**12**	**1**
Other comprehensive income	–9	–3	–3	–1
Total comprehensive income	**245**	**245**	**9**	**0**
attributable to non-controlling interests	123	118	2	0
Dividend distributed to non-controlling interests	114	127	1	1
Consolidated net profit attributable to non-controlling interests	127	120	3	0
Cash flow statement				
Net cash from operating activities	293	278	29	20
Net cash used in/from investing activities	–4	–17	–1	–6
Net cash used in financing activities	–239	–273	–21	–31
Net change in cash and cash equivalents	50	–12	7	–17
Cash and cash equivalents at 1 January	235	277	18	25
Effect of changes in exchange rates on cash and cash equivalents	–8	–3	0	0
Cash and cash equivalents at 31 December	**277**	**262**	**25**	**8**

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	2018	2019
Balance at 1 January	–12	–16
Transaction with non-controlling interests	0	0
Total comprehensive income		
Changes from unrealised gains and losses	–4	0
Changes from realised gains and losses	0	0
Currency translation reserve at 31 December	**–16**	**–16**

36 Provisions for pensions and similar obligations

The Group's most significant defined benefit retirement plans are in Germany and the UK. A wide variety of other defined benefit retirement plans in the Group are to be found in the Netherlands, Switzerland, the USA and a large number of other countries. There are specific risks associated with these plans along with measures to mitigate them.

36.1 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. Hourly workers and salaried employees who were already employed as at 31 December 2015 were generally transferred to this system. Since the prior year, the added payment option of receiving one lump-sum instead of lifelong monthly benefit payments has also been granted to certain groups of hourly workers and salaried employees (e.g. former hourly workers and salaried employees with fully vested entitlements) for whom it had previously not been available. The large majority of Deutsche Post AG's obligations relates to older vested entitlements of hourly workers and salaried employees, 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. In the third and fourth quarter of 2019, respectively, the Group began offering executives, below Board of Management level and employees participating in the centrally managed deferred compensation arrangements the option of taking a lump-sum payment rather than receiving a lifetime pension. These changes resulted in past service income as well as a change in current service cost and net interest cost for the rest of the reporting period. Details on the retirement benefit arrangements for the Board of Management can be found in the **Combined Management Report, page 21 f.**

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, the *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 available for three subsidiaries with a view to external financing.

United Kingdom

In the UK, 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. The relevant decision was made in the previous year. In the reporting period, certain active members of this arrangement were subsequently given the option to transfer their past service benefits to an external pension arrangement. This led to settlement effects in the reporting period and corresponding settlement payments are expected to be made in 2020. Further, a High Court ruling in the previous year on equalisation of guaranteed minimum pensions (GMP) required all affected plans to equalise GMP between male and female plan members.

The Group's defined benefit pension arrangements in the UK 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 contributions must be negotiated with the trustee in the course of funding valuations. Until that time, employee beneficiaries of the defined benefit arrangement that was open until 31 March 2019 made their own funding contributions.

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. Furthermore, the plan provides for monthly benefit payments that increase in line with inflation, on the one hand, and the funds available for such increases, on the other. In Switzerland, employees receive an occupational pension in line with statutory requirements, 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 USA, the companies' defined benefit retirement plans have been closed to new entrants and accrued entitlements have been frozen. In the reporting period, members there whose employment had ended were offered an immediate lump-sum payment instead of receiving a future pension, which primarily led to settlement gains and 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 Netherlands and in Switzerland, both employers and employees contribute to plan funding. In the USA no regular contributions are currently made in this regard.

36.2 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	
	2018	2019	2018	2019	2018	2019
Balance at 1 January	17,381	16,696	13,084	12,608	**4,297**	**4,088**
Current service cost, excluding employee contributions	193	218	–	–	**193**	**218**
Past service cost	–113	–274	–	–	**–113**	**–274**
Settlement gains (–)/losses (+)	–1	–24	–	–	**–1**	**–24**
Other administration costs in accordance with IAS 19.130	–	–	–11	–12	**11**	**12**
Service cost[1]	**79**	**–80**	**–11**	**–12**	**90**	**–68**
Interest cost on defined benefit obligations	401	379	–	–	**401**	**379**
Interest income on plan assets	–	–	303	291	**–303**	**–291**
Net interest cost	**401**	**379**	**303**	**291**	**98**	**88**
Income and expenses recognised in the income statement	**480**	**299**	**292**	**279**	**188**	**20**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	100	–89	–	–	**100**	**–89**
Actuarial gains (–)/losses (+) – changes in financial assumptions	–261	2,146	–	–	**–261**	**2,146**
Actuarial gains (–)/losses (+) – experience adjustments	–286	63	–	–	**–286**	**63**
Return on plan assets excluding interest income	–	–	–256	1,052	**256**	**–1,052**
Remeasurements recognised in the statement of comprehensive income	**–447**	**2,120**	**–256**	**1,052**	**–191**	**1,068**
Employer contributions	–	–	65	56	**–65**	**–56**
Employee contributions	33	35	19	19	**14**	**16**
Benefit payments	–737	–742	–585	–488	**–152**	**–254**
Settlement payments	–10	–49	–8	–42	**–2**	**–7**
Transfers	0	–13	0	–5	**0**	**–8**
Acquisitions/divestitures	0	1	0	0	**0**	**1**
Currency translation effects	–4	271	–3	279	**–1**	**–8**
Balance at 31 December	**16,696**	**18,618**	**12,608**	**13,758**	**4,088**	**4,860**

[1] Including other administration costs in accordance with IAS 19.130 from plan assets.

As at 31 December 2019, the effects of asset ceilings amounted to €5 million; an expedient was applied to their recognition by deducting this amount from the fair value of plan assets (1 January 2019 / 31 December 2018: €2 million; 1 January 2018: €3 million).

In the reporting period, past service income was attributable mainly to plan amendments in Germany in connection with the expansion of the lump-sum payment option to two additional retirement benefit arrangements, which contributed an amount of €271 million. Settlement effects resulted mainly from changes in the UK and the USA and settlement payments were already incurred in the USA. In the previous year, past service income was attributable mainly to plan amendments in Germany at Deutsche Post AG and limited in particular by opposite effects of the court ruling in the UK. Experience adjustments were made chiefly as a result of a new funding valuation in the UK. The proportion of benefit payments paid out of plan assets in Germany increased.

Total payments amounting to €332 million are expected with regard to net pension provisions in 2020. Of this amount, €288 million is attributable to the Group's expected direct benefit payments and €44 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, are as follows:

In the Other area, the Netherlands, Switzerland and the USA account for a share in the corresponding present value of the defined benefit obligations of 44%, 20% and 11%, respectively (previous year: 43%, 21% and 12%).

Additionally, rights to reimbursement from former Group companies existed in the Group in Germany in the amount of around €14 million (previous year: €19 million), which had to be reported separately under financial assets. Corresponding benefit payments are being made directly by the former Group companies.

€m	Germany	United Kingdom	Other	Total
2019				
Present value of defined benefit obligations at 31 December	10,355	5,349	2,914	**18,618**
Fair value of plan assets at 31 December	–5,828	–5,489	–2,441	**–13,758**
Net pension provisions at 31 December	**4,527**	**–140**	**473**	**4,860**
Reported separately				
Pension assets at 31 December	0	141	101	**242**
Provisions for pensions and similar obligations at 31 December	4,527	1	574	**5,102**
2018				
Present value of defined benefit obligations at 31 December	9,371	4,747	2,578	**16,696**
Fair value of plan assets at 31 December	–5,512	–4,914	–2,182	**–12,608**
Net pension provisions at 31 December	**3,859**	**–167**	**396**	**4,088**
Reported separately				
Pension assets at 31 December	0	167	93	**260**
Provisions for pensions and similar obligations at 31 December	3,859	0	489	**4,348**

36.3 Additional information on the present value of defined benefit obligations

The significant financial assumptions are as follows:

%	Germany	United Kingdom	Other	Total
31 December 2019				
Discount rate (defined benefit obligations)	1.40	1.90	1.52	**1.56**
Expected annual rate of future salary increase	2.50	n.a.	2.32	**2.47**
Expected annual rate of future pension increase	1.75	2.70	1.02	**2.19**
31 December 2018				
Discount rate (defined benefit obligations)	2.30	2.70	2.35	**2.42**
Expected annual rate of future salary increase	2.50	3.25	2.30	**2.47**
Expected annual rate of future pension increase	2.00	2.85	1.27	**2.17**

The discount rates for defined benefit obligations in the eurozone and the UK 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. In the previous year, we began rounding each of the discount rates to the nearest 0.10 percentage point (previously: 0.25 percentage point).

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 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 have been based since the previous year on the HEUBECK RICHTTAFELN 2018 G mortality tables. Since the previous year, life expectancy for the retirement benefit plans in the UK has mainly been based on the 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	United Kingdom	Other	Total
31 December 2019					
Discount rate (defined benefit obligations)	1.00	−12.80	−14.54	−14.73	**−13.60**
	−1.00	16.37	18.79	19.74	**17.58**
Expected annual rate of future salary increase	0.50	0.16	n.a.	0.98	**0.24**
	−0.50	−0.16	n.a.	−0.91	**−0.23**
Expected annual rate of future pension increase	0.50	0.35	5.91	6.78	**2.94**
	−0.50	−0.32	−5.35	−4.97	**−2.48**
31 December 2018					
Discount rate (defined benefit obligations)	1.00	−12.37	−14.20	−14.01	**−13.14**
	−1.00	15.70	18.29	18.25	**16.82**
Expected annual rate of future salary increase	0.50	0.18	0.08	0.95	**0.27**
	−0.50	−0.17	−0.08	−0.88	**−0.25**
Expected annual rate of future pension increase	0.50	0.43	5.44	6.23	**2.74**
	−0.50	−0.39	−5.36	−4.52	**−2.43**

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 4.95% in Germany (previous year: 4.59%) and by 4.39% in the UK (previous year: 3.60%). The corresponding increase for other countries would be 3.00% (previous year: 2.80%) and the total increase would be 4.49% (previous year: 4.04%).

When determining the sensitivity disclosures, the present values were calculated using the same methodology used to calculate the present values at the reporting date. The presentation does not take into account interdependencies between the assumptions; rather, it supposes that the assumptions change in isolation. This would be unusual in practice, since assumptions are often correlated.

The weighted average duration of the Group's defined benefit obligations at 31 December 2019 was 14.6 years in Germany (previous year: 14.2 years) and 16.7 years in the UK (previous year: 16.4 years). In the other countries it was 17.9 years (previous year: 17.0 years), and in total it was 15.7 years (previous year: 15.3 years).

A total of 31.5% (previous year: 30.6%) of the present value of the defined benefit obligations was attributable to active beneficiaries, 19.0% (previous year: 18.4%) to formerly employed beneficiaries and 49.5% (previous year: 51.0%) to retirees.

36.4 Additional information on the fair value of plan assets

The fair value of the plan assets can be disaggregated as follows:

€m	Germany	United Kingdom	Other	Total
31 December 2019				
Equities	1,100	470	765	**2,335**
Fixed income securities	1,973	4,304	1,043	**7,320**
Real estate	1,600	279	342	**2,221**
Alternatives[1]	386	316	30	**732**
Insurances	538	0	150	**688**
Cash	199	120	9	**328**
Other	32	0	102	**134**
Fair value of plan assets	**5,828**	**5,489**	**2,441**	**13,758**
31 December 2018				
Equities	550	415	668	**1,633**
Fixed income securities	1,717	3,825	907	**6,449**
Real estate	1,511	255	298	**2,064**
Alternatives[1]	372	379	30	**781**
Insurances	546	0	127	**673**
Cash	806	40	46	**892**
Other	10	0	106	**116**
Fair value of plan assets	**5,512**	**4,914**	**2,182**	**12,608**

[1] Primarily includes absolute return products.

Quoted market prices in an active market exist for around 70% (previous year: 73%) of the total fair values of plan assets. The remaining assets for which no such quoted market prices exist are mainly attributable as follows: 14% (previous year: 14%) to real estate, 9% (previous year: 6%) to fixed income securities, 5% (previous year: 5%) to insurances and 2% (previous year: 2%) to alternatives. 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 €1,502 million (previous year: €1,424 million) is occupied by Deutsche Post DHL Group.

This year's increase in fixed income securities resulted primarily from the change in the relevant market interest rates. In the previous year, hedging measures were taken due to developments on the capital markets and resulted in a decrease in the proportion of equity holdings and an increase in the proportion of the cash holdings.

Asset-liability studies are performed at regular intervals in Germany, the UK and, amongst other places, the Netherlands, Switzerland and the USA for the purpose of matching assets and liabilities; the strategic allocation of plan assets is adjusted accordingly.

Sustainable approaches mainly based on an integration of ESG criteria are increasingly being used when investing plan assets.

36.5 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 UK, 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 UK, for example, include an allowance for expected future increases in life expectancy.

37 Other provisions

Other provisions break down into the following main types of provision:

€m	Non-current		Current		Total	
	2018	2019	2018	2019	2018	2019
Other employee benefits	789	703	205	154	**994**	**857**
Technical reserves (insurance)	415	438	237	236	**652**	**674**
Aircraft maintenance	160	185	58	74	**218**	**259**
Tax provisions	–	–	130	147	**130**	**147**
Restructuring provisions	25	35	48	43	**73**	**78**
Miscellaneous provisions	266	289	395	310	**661**	**599**
Other provisions	**1,655**	**1,650**	**1,073**	**964**	**2,728**	**2,614**

37.1 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Aircraft maintenance	Tax provisions	Miscellaneous provisions	Total
Balance at 1 January 2019	994	73	652	218	130	661	**2,728**
Changes in consolidated group	0	0	0	–3	0	0	**–3**
Utilisation	–722	–53	–32	–8	–40	–346	**–1,201**
Currency translation differences	8	1	6	1	1	7	**24**
Reversal	–10	–12	–29	–12	–4	–57	**–124**
Unwinding of discount/changes in discount rate	16	1	2	1	0	5	**25**
Reclassification	1	0	0	0	0	–1	**0**
Addition	570	68	75	62	60	330	**1,165**
Balance at 31 December 2019	**857**	**78**	**674**	**259**	**147**	**599**	**2,614**

The provision for other employee benefits primarily covers workforce reduction expenses (severance payments, transitional benefits, partial retirement, etc.), stock appreciation rights (SARs) and jubilee payments. The decrease was largely as a result of utilisation for the early retirement programme and the corresponding reclassification to liabilities.

The restructuring provisions comprise mainly costs from the closure of terminals and outstanding obligations to employees regarding post-employment benefits.

Technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR reserves; further details can be found in note 6.

The provision for aircraft maintenance relates to obligations for major aircraft and engine maintenance by third-party companies.

Of the tax provisions, €60 million (previous year: €53 million) relates to VAT, €34 million (previous year: €31 million) to customs and duties, and €53 million (previous year: €46 million) to other tax provisions.

Miscellaneous provisions, which include a large number of individual items, break down as follows:

€m	2018	2019
Litigation costs, of which non-current: 55 (previous year: 54)	104	108
Risks from business activities, of which non-current: 8 (previous year: 6)	40	37
Miscellaneous other provisions, of which non-current: 226 (previous year: 206)	517	454
Miscellaneous provisions	**661**	**599**

37.2 Maturity structure

The maturity structure of the provisions recognised in financial year 2019 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
2019							
Other employee benefits	154	144	74	58	54	373	**857**
Technical reserves (insurance)	236	249	80	42	28	39	**674**
Aircraft maintenance	74	68	24	5	56	32	**259**
Tax provisions	147	0	0	0	0	0	**147**
Restructuring provisions	43	15	6	3	4	7	**78**
Miscellaneous provisions	310	108	47	35	30	69	**599**
Total	**964**	**584**	**231**	**143**	**172**	**520**	**2,614**

38 Financial liabilities

€m	Non-current		Current		Total	
	2018	2019	2018	2019	2018	2019
Bonds	5,463	5,164	9	303	**5,472**	**5,467**
Amounts due to banks	84	181	180	287	**264**	**468**
Lease liabilities[1]	7,756	8,145	2,103	2,156	**9,859**	**10,301**
Liabilities at fair value through profit or loss	1	1	37	22	**38**	**23**
Other financial liabilities	565	245	264	470	**829**	**715**
Financial liabilities	**13,869**	**13,736**	**2,593**	**3,238**	**16,462**	**16,974**

[1] Explanations can be found in note 40.

The amounts due to banks mainly comprise current overdraft facilities due to various banks.

The amounts reported under liabilities at fair value through profit or loss mainly relate to the negative fair values of derivative financial instruments.

The decline in other financial liabilities, which relate to a large number of individual items, is the result of the partial repayment of promissory note loans.

38.1 Bonds

The bond issued by Deutsche Post Finance B.V. is fully guaranteed by Deutsche Post AG.

Significant bonds

	Nominal coupon %	Issue volume €m	Issuer	2018 Carrying amount €m	2018 Fair value €m	2019 Carrying amount €m	2019 Fair value €m
Bond 2012/2022	2.950	500	Deutsche Post Finance B.V.	498	546	499	538
Bond 2012/2020	1.875	300	Deutsche Post AG	299	311	300	306
Bond 2012/2024	2.875	700	Deutsche Post AG	698	784	698	797
Bond 2013/2023	2.750	500	Deutsche Post AG	497	553	498	552
Bond 2016/2021	0.375	750	Deutsche Post AG	747	755	748	754
Bond 2016/2026	1.250	500	Deutsche Post AG	497	506	497	530
Bond 2017/2027	1.000	500	Deutsche Post AG	495	483	496	524
Bond 2018/2028	1.625	750	Deutsche Post AG	741	757	742	825
Convertible bond 2017/2025[1]	0.050	1,000	Deutsche Post AG	953	938	960	990

[1] Fair value of the debt component; the fair value of the convertible bond 2017/2025 is €1,024 million (previous year: €956 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 Jan. 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

[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.

39 Other liabilities

€m

	2018	2019
Tax liabilities	1,196	1,255
Incentive bonuses	616	681
Wages, salaries, severance payments	384	486
Compensated absences	347	370
Contract liabilities, of which non-current: 11 (previous year: 4)	227	235
Payables to employees and members of executive bodies	229	223
Social security liabilities	171	179
Deferred income, of which non-current: 63 (previous year: 61)	129	150
Debtors with credit balances	144	147
Postage stamps (contract liabilities)	137	125
Overtime claims	97	98
Liabilities from the sale of residential building loans, of which non-current: 51 (previous year: 67)	85	66
Insurance liabilities	31	63
COD liabilities	62	37
Other compensated absences	28	30
Liabilities from cheques issued	28	29
Accrued rentals	19	16
Accrued insurance premiums for damages and similar liabilities	8	12
Liabilities from loss compensation	10	9
Miscellaneous other liabilities, of which non-current: 235 (previous year: 73)	689	1,062
Other liabilities	**4,637**	**5,273**
of which current	4,432	4,913
non-current	205	360

Of the tax liabilities, €648 million (previous year: €629 million) relates to VAT, €427 million (previous year: €399 million) to customs and duties, and €180 million (previous year: €168 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.

39.1 Maturity structure

€m

	2018	2019
Up to 1 year	4,432	4,913
More than 1 year to 2 years	95	155
More than 2 years to 3 years	36	79
More than 3 years to 4 years	22	54
More than 4 years to 5 years	14	35
More than 5 years	38	37
Other liabilities	**4,637**	**5,273**

There is no significant difference between the carrying amounts and the fair values of the other liabilities due to their short maturities or market interest rates. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

Lease disclosures

40 Lease disclosures

Currency translation gains on lease liabilities totalled €30 million (previous year: €27 million), whilst the related losses amounted to €32 million (previous year: €56 million).

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 2018							
Accumulated cost	9,003	186	9	1,476	731	2	11,407
of which additions	1,801	52	1	341	201	1	2,397
Accumulated depreciation and impairment losses	1,311	54	7	334	198	0	1,904
Carrying amount	**7,692**	**132**	**2**	**1,142**	**533**	**2**	**9,503**
31 December 2019							
Accumulated cost	10,538	232	9	1,644	866	0	13,289
of which additions	2,125	74	1	292	233	2	2,727
Accumulated depreciation and impairment losses	2,543	88	7	601	343	0	3,582
Carrying amount	**7,995**	**144**	**2**	**1,043**	**523**	**0**	**9,707**

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. Leased transport equipment also includes the leased vehicle fleet. The real estate leases in particular are long-term leases. The Group had around 64 real estate leases with remaining lease terms of more than twenty years as at 31 December 2019 (previous year: 65 leases). Aircraft leases have remaining lease terms of up to eleven years. Leases may include extension and termination options, note 6. The leases are negotiated individually and include a wide range of different conditions. Lease liabilities are presented in the following table:

€m	2018	2019
Non-current lease liabilities	7,756	8,145
Current lease liabilities	2,103	2,156
Total	**9,859**	**10,301**

Financial liabilities under leases of €1,894 million (previous year: €1,722 million) was repaid and interest on leases of €416 million (previous year: €376 million) was paid in financial year 2019. Future cash outflows amounted to €13 billion (previous year: €12 billion) as at the reporting date, note 42.

Possible future cash outflows amounting to €1.5 billion (previous year: €1.3 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 €0.2 billion (previous year: €0.4 billion).

Cash flow disclosures

41 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 at 1 January 2018	5,350	156	9,416	165	15,087
Cash changes[2]	149	81	–2,098	432	–1,436
Non-cash changes					
Leases	0	0	2,454	0	2,454
Currency translation	0	–2	89	–1	86
Fair value adjustment	0	0	0	1	1
Other changes	–27	29	–2	33	33
Balance at 31 December 2018/1 January 2019	**5,472**	**264**	**9,859**	**630**	**16,225**
Cash changes[2]	–93	183	–2,310	–265	–2,485
Non-cash changes					
Leases	0	0	2,714	0	2,714
Currency translation	0	–3	130	2	129
Fair value adjustment	0	0	0	–1	–1
Other changes	88	24	–92	–1	19
Balance at 31 December 2019	**5,467**	**468**	**10,301**	**365**	**16,601**

[1] Differences from the financial liabilities presented in note 38 (other financial liabilities and financial liabilities at fair value through profit or loss) in the amount of €373 million (previous year: €237 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 (€–4,112 million; previous year: €–3,039 million) are primarily due 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 €40 million.

41.1 Net cash from operating activities

At €6,049 million, net cash from operating activities was €253 million higher than in the prior-year period (€5,796 million). Proceeds from the sale of the Supply Chain business in China are shown in net cash used in investing activities. Provisions changed from €282 million to €–506 million, mainly due to the early retirement programme in the former Post - eCommerce - Parcel division.

Non-cash income and expenses are as follows:

Non-cash income and expenses

€m

	2018	2019
Expense from the remeasurement of assets	96	86
Income from the remeasurement of liabilities	–140	–203
Gains (–)/losses (+) on asset disposals	–2	1
Staff costs relating to equity-settled share-based payments	57	55
Other	2	4
Non-cash income (–) and expenses (+)	**13**	**–57**

41.2 Net cash used in investing activities

Net cash used in investing activities decreased from €2,777 million to €2,140 million. A net amount of €653 million was received from the sale of the Supply Chain business in China. In addition, €49 million was received mainly from the sale of the power packaging business in the United States, the Supply Chain business in Switzerland, the Colombian document business and sales as part of a partnership with Austrian Post:

Disposal of assets and liabilities

€m

	2019
Non-current assets	67
Current assets (excluding cash and cash equivalents)	45
Cash and cash equivalents	2
Non-current provisions and liabilities	35
Current provisions and liabilities	34

Another cash inflow of €800 million stemmed from the sale of money market funds. Investments in intangible assets and property, plant and equipment amounted to €3.6 billion, €1.1 billion of which was spent on modernising the Express intercontinental aircraft fleet.

41.3 Net cash used in financing activities

At €4,112 million, net cash used in financing activities was significantly higher (€1,073 million) than in the previous year, which included issue proceeds totalling €1.2 billion from the issuance of promissory note loans and a bond. In the reporting period, in contrast, cash inflow of €349 million related to the assumption of loans.

Further details on the cash flow statement and free cash flow can be found in the Combined Management Report, page 44 f.

Other disclosures

42 Risks and financial instruments of the Group

42.1 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 exercised the option to continue to apply hedge accounting in accordance with IAS 39.

Disclosures regarding risks associated with the Group's defined benefit retirement plans and their mitigation can be found in note 36.5.

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 2019, the Group had central liquidity reserves of €3.5 billion (previous year: €4.3 billion), consisting of central financial investments amounting to €1.5 billion plus a syndicated credit line of €2 billion.

The maturity structure of non-derivative financial liabilities within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure of financial liabilities

€m	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
At 31 December 2019						
Non-current financial liabilities[1]	75	487	904	692	567	3,684
Non-current lease liabilities	0	1,843	1,547	1,236	909	4,970
Other non-current financial liabilities	0	12	10	8	7	14
Non-current financial liabilities	**75**	**2,342**	**2,461**	**1,936**	**1,483**	**8,668**
Current financial liabilities	1,059					
Current lease liabilities	2,232					
Trade payables	7,225					
Other current financial liabilities	327					
Current financial liabilities	**10,843**					
At 31 December 2018						
Non-current financial liabilities[1]	85	616	846	730	761	3,583
Non-current lease liabilities	0	1,821	1,449	1,222	958	4,466
Other non-current financial liabilities	0	15	12	10	8	21
Non-current financial liabilities	**85**	**2,452**	**2,307**	**1,962**	**1,727**	**8,070**
Current financial liabilities	468					
Current lease liabilities	2,137					
Trade payables	7,422					
Other current financial liabilities	341					
Current financial liabilities	**10,368**					

[1] The convertible bond 2025 is contained in the “More than 5 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
At 31 December 2019						
Derivative receivables – gross settlement						
Cash outflows	−1,360	−64	−31	−1	0	0
Cash inflows	1,387	66	32	1	0	0
Net settlement						
Cash inflows	0	0	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	−1,870	−11	−10	−11	−1	0
Cash inflows	1,853	11	10	11	1	0
Net settlement						
Cash outflows	−1	0	0	0	0	0
At 31 December 2018						
Derivative receivables – gross settlement						
Cash outflows	−1,853	−1	0	0	0	0
Cash inflows	1,900	1	0	0	0	0
Net settlement						
Cash inflows	4	0	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	−1,231	−20	−11	−10	−7	0
Cash inflows	1,211	20	11	10	7	0
Net settlement						
Cash outflows	−3	−1	0	0	0	0

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 €3 million (previous year: €5 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 €2,980 million at the reporting date (previous year: €2,293 million); the fair value was €−1 million (previous year: €23 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 42.3.

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 €3,377 million (previous year: €3,363 million) were outstanding at the reporting date. The corresponding fair value was €3 million (previous year: €23 million).

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2019, €4 million (previous year: €2 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

	2018		2019	
	Profit or loss effects	Equity effects	Profit or loss effects	Equity effects
Primary financial instruments and free-standing derivatives	5		3	
Derivative instruments (cash flow hedges)		11		5
Total value at risk[1]		12		7

[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 38, amounts to 19% (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.

A small number of diesel and marine diesel swaps are used to hedge residual risks arising from commodity price fluctuations. The impact of market price changes on hedging derivatives, and therefore on the Group's earnings, is negligible.

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 2019.

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 6.

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 – twelve-month ECL

€m

	Gross carrying amount	Loss allowance	Net carrying amount
Balance at 1 January 2019	991	–26	965
Newly originated financial assets	823	–	823
Impairment loss	–2	–	–2
Disposal	–643	–	–643
Reversal of loss allowance	–	22	22
Increase in loss allowance	–	–24	–24
Currency translation differences	11	–	11
Reclassifications	–4	–	–4
Changes in consolidated group	–11	–	–11
Balance at 31 December 2019	**1,165**	**–28**	**1,137**
Balance at 1 January 2018	987	–27	960
Newly originated financial assets	667	–	667
Impairment loss	–17	–	–17
Disposal	–572	–	–572
Reversal of loss allowance	–	17	17
Increase in loss allowance	–	–16	–16
Currency translation differences	1	–	1
Reclassifications	–66	–	–66
Changes in consolidated group	–9	–	–9
Balance at 31 December 2018	**991**	**–26**	**965**

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 €8,561 million were due within one year at the reporting date (previous year: €8,247 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

	2018	2019
Gross receivables		
Balance at 1 January	8,365	8,453
Changes	88	275
Balance at 31 December	**8,453**	**8,728**
Loss allowances		
Balance at 1 January	–189	–206
Changes	–17	39
Balance at 31 December	**–206**	**–167**
Carrying amount at 31 December	**8,247**	**8,561**

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

%

	2018	2019
1 to 60 days	0.1–0.4	0.1–0.3
61 to 120 days	0.4–5.0	0.5–5.0
121 to 180 days	3.0–20.0	2.0–26.0
181 to 360 days	20.0–60.0	26.0–60.0
More than 360 days	80.0–100.0	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 financial year 2019, 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 €836 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 financial year 2019, the Group recognised programme fees (interest, allowances for doubtful accounts) of €3 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 2019 amounted to €365 million.

42.2 Collateral

Collateral provided

€m

	2018	2019
Non-current financial assets, of which	187	175
for assets for the settlement of residential building loans	74	60
for sureties paid	84	105
Current financial assets, of which	43	50
for US cross-border leases (QTE leases) transactions	7	7
for sureties paid	12	16

The collateral provided mainly relates to other financial assets.

42.3 Derivative financial instruments

FAIR VALUE HEDGES

There were no fair value hedges as at 31 December 2019, as in the previous year. At the reporting date, unwinding interest rate swaps resulted in carrying amount adjustments of €13 million (previous year: €21 million) which are included in current (€3 million) and non-current (€10 million) financial liabilities. The carrying amount adjustments will be amortised using the effective interest method over the remaining term of the liabilities (until 2022) and will reduce future 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 €396 million at the reporting date (previous year: €1,071 million); the fair value was €4 million (previous year: €0 million). The hedged items will have an impact on cash flow by 2024.

The gains and losses on open hedging instruments recognised in equity at the reporting date amounted to €4 million. No ineffective portions of hedges were recognised. In the financial year, realised net losses of €6 million from cash flow hedges on currency risks were recognised in other operating expenses due to the recognition of the hedged item in profit or loss.

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

		Remaining term			
	Total notional volume	Up to 1 year	More than 1 year to 5 years	More than 5 years	Average hedge rate (€)
31 December 2019					
Hedging of currency risk					
Currency forwards sale EUR/CZK	–307	–179	–128	0	26.33
Currency forwards purchase EUR/JPY	20	20	0	0	124.85
Currency forwards purchase EUR/USD	18	18	0	0	1.14
31 December 2018					
Hedging of currency risk					
Currency forwards purchase EUR/CNY	340	340	0	0	8.09
Currency forwards sale EUR/CZK	–177	–131	–46	0	26.39
Currency forwards purchase USD/TWD	105	105	0	0	29.83

The carrying amounts of derivative assets (€5 million) and liabilities (€–1 million) included in cash flow hedges did not result in ineffectiveness due to the relevant fair value changes within the period. This is because the changes in the value of the hedged items (€–5 million) and hedging transactions (€5 million) offset each other.

Cash flow hedging reserve

€m

	2018	2019
Balance at 1 January	33	–6
Gains and losses on effective hedges	–15	–3
Reclassification due to the recognition of hedged items	–30	7
Reclassification to the currency translation reserve	6	0
Balance at 31 December[1]	**–6**	**–2**

[1] Excluding deferred taxes.

NET INVESTMENT HEDGES

Currency risks resulting from the translation of foreign operations were no longer hedged in 2019. At the reporting date, there was still a positive amount of €25 million from terminated net investment hedges in the currency translation reserve.

42.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments in line with the respective balance sheet items. The following table reconciles the 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 2018							31 December 2019						
					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	**12,288**	**12,181**	**107**	**493**		**398**		**12,559**	**12,430**	**129**	**448**		**347**	
Non-current financial assets	499	404	95	493		398		490	389	101	448		347	
Current financial assets[2]	100	88	12	n.a.				369	341	28	n.a.			
Other current assets[2]	425	425		n.a.				277	277		n.a.			
Trade receivables[2]	8,247	8,247		n.a.				8,561	8,561		n.a.			
Cash and cash equivalents[2]	3,017	3,017		n.a.				2,862	2,862		n.a.			
Equity instruments at fair value through other comprehensive income	**43**	**43**		**43**	**43**			**34**	**34**		**34**	**34**		
Non-current financial assets	43	43		43	43			34	34		34	34		
Equity instruments without recycling	43	43		43	43			34	34		34	34		
Debt instruments and equity instruments at fair value through profit or loss	**1,031**	**1,031**		**1,031**	**988**	**43**		**260**	**260**		**260**	**234**	**26**	
Non-current financial assets	188	188		188	188			235	235		235	234	1	
Debt instruments	187	187		187	187			233	233		233	233		
Equity instruments	1	1		1	1			1	1		1	1		
Derivatives designated as hedges								1	1		1		1	
Current financial assets	843	843		843	800	43		25	25		25		25	
Debt instruments	800	800		800	800									
Trading derivatives	29	29		29		29		21	21		21		21	
Derivatives designated as hedges	14	14		14		14		4	4		4		4	
Not IFRS 7	**2,297**			**n.a.**				**2,716**			**n.a.**			
Other non-current assets	353			n.a.				395			n.a.			
Other current assets	1,944			n.a.				2,321			n.a.			
TOTAL ASSETS	**15,659**	**13,255**	**107**	**1,567**	**1,031**	**441**		**15,569**	**12,724**	**129**	**742**	**268**	**373**	

	31 December 2018							31 December 2019						
					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	**24,322**	**14,463**	**9,859**	**6,406**	**5,687**	**719**		**24,555**	**14,254**	**10,301**	**6,051**	**5,600**	**451**	
Non-current financial liabilities[3]	13,868	6,112	7,756	6,339	5,687	652		13,736	5,591	8,145	6,000	5,600	400	
Other non-current liabilities	67	67		67		67		51	51		51		51	
Current financial liabilities[2]	2,556	453	2,103	n.a.				3,216	1,060	2,156	n.a			
Trade payables[2]	7,422	7,422		n.a.				7,225	7,225		n.a.			
Other current liabilities[2]	409	409		n.a.				327	327		n.a.			
Liabilities at fair value through profit or loss	**38**	**38**		**38**		**23**	**15**	**23**	**23**		**23**		**23**	
Non-current financial liabilities[3]	1	1		1		1		1	1		1		1	
Earn-out obligation														
Trading derivatives	1	1		1		1								
Derivatives designated as hedges								1	1		1		1	
Current financial liabilities	37	37		37		22	15	22	22		22		22	
Earn-out obligation	15	15		15			15							
Trading derivatives	8	8		8		8		21	21		21		21	
Derivatives designated as hedges	14	14		14		14		1	1		1		1	
Not IFRS 7	**4,161**			**n.a.**				**4,895**			**n.a.**			
Other non-current liabilities	138			n.a.				309			n.a.			
Other current liabilities	4,023			n.a.				4,586			n.a.			
TOTAL EQUITY AND LIABILITIES	**28,521**	**14,501**	**9,859**	**6,444**	**5,687**	**742**	**15**	**29,473**	**14,277**	**10,301**	**6,074**	**5,600**	**474**	

[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 indicated 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 €1,024 million as at the reporting date. The fair value of the debt component at the reporting date was €990 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 techniques 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.

Level 3 comprises mainly the fair values of equity investments and derivatives associated with M&A transactions. Recognised valuation models that reflect plausible assumptions are used to calculate the fair values.

In the financial year, the financial instruments assigned to Level 3 resulted in effects of €–20 million in other comprehensive income. Another €2 million was recognised as income in the income statement.

As in the previous year, no financial instruments were transferred between levels in financial year 2019.

The following table documents the net gains and losses of the categories of financial instruments:

Net gains and losses by measurement category

€m

	2018	2019
Net gains and losses on financial assets		
Debt instruments at amortised cost		
Net gains (+)/losses (–) recognised in profit or loss	–138	–91
Debt instruments at fair value through profit or loss (FVTPL)		
Net gains (+)/losses (–) recognised in profit or loss	–11	–40
Net gains/losses on financial liabilities		
Debt instruments at fair value through profit or loss (FVTPL)		
Net gains (+)/losses (–) recognised in profit or loss	8	–45
Debt instruments at amortised cost		
Net gains (+)/losses (–) recognised in profit or loss	1	1

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

	Gross amount of assets	Gross amount of liabilities set off	Recognised net amount of assets set off	Assets and liabilities not set off in the balance sheet: Liabilities that do not meet offsetting criteria	Assets and liabilities not set off in the balance sheet: Collateral received	Total
At 31 December 2019						
Derivative financial assets	26	0	26	6	0	**20**
Trade receivables	8,616	55	8,561	0	0	**8,561**
Funds	648	648	0	0	0	**0**
At 31 December 2018						
Derivative financial assets	43	0	43	9	0	**34**
Trade receivables	8,382	135	8,247	0	0	**8,247**
Funds	579	579	0	0	0	**0**

Offsetting – liabilities

€m

	Gross amount of liabilities	Gross amount of assets set off	Recognised net amount of liabilities set off	Assets and liabilities not set off in the balance sheet: Assets that do not meet offsetting criteria	Assets and liabilities not set off in the balance sheet: Collateral received	Total
At 31 December 2019						
Derivative financial liabilities	23	0	23	6	0	**17**
Trade payables	7,280	55	7,225	0	0	**7,225**
Funds	656	648	8	0	0	**8**
At 31 December 2018						
Derivative financial liabilities[1]	23	0	23	9	0	**14**
Trade payables	7,557	135	7,422	0	0	**7,422**
Funds	588	579	9	0	0	**9**

[1] Excluding derivatives from M&A transactions.

To hedge cash flow and fair value risks, Deutsche Post AG enters into financial derivative transactions with a large number of financial services institutions. These contracts are subject to a standardised master agreement for financial derivative transactions. This agreement provides for a conditional right of set-off, resulting in the recognition of the gross amount of the financial derivative transactions at the reporting date. The conditional right of set-off is presented in the 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 for the specified contractual arrangements. Imports and exports between the parties to the agreement during a calendar year are summarised in an annual statement of account and presented on a net basis in the final annual statement. Receivables and payables covered by the Universal Postal Convention and the 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 set-off exists in the normal course of business. The tables show the receivables and payables before and after offsetting.

43 Contingent liabilities and other financial obligations

Contingent liabilities

€m

	2018	2019
Guarantee obligations	102	95
Warranties	21	22
Liabilities from litigation risks	304	284
Other contingent liabilities	561	485
Total	**988**	**886**

In addition to provisions and liabilities, the Group has contingent liabilities and other financial obligations.

Other contingent liabilities also include a potential obligation to make settlement payments in the USA, 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 USA, and other tax-related obligations.

Other financial obligations such as the purchase obligation for investments in non-current assets amounted to €1,068 million (previous year: €1,366 million).

44 Litigation

Many of the postal services rendered by Deutsche Post AG and its subsidiaries are subject to sector-specific regulation by the *Bundesnetzagentur* (German federal network agency) pursuant to the *Postgesetz* (PostG – German Postal Act). As the regulatory authority, the *Bundesnetzagentur* approves or reviews such prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

Legal risks arise, amongst other things, from the pending administrative court appeal by an association against the price approval granted by the *Bundesnetzagentur* under the price cap procedure for 2016 to 2018. The complaint was dismissed by the Cologne Administrative Court, the court of first instance, by way of a ruling handed down on 4 December 2018. The claimant has applied to the Federal Administrative Court for a “leapfrog appeal”, asserting that the decision by the *Bundesnetzagentur* is unlawful for various reasons. The *Bundesnetzagentur* and Deutsche Post AG do not share the claimant’s opinion.

In its ruling of 28 June 2016, the *Bundesnetzagentur* determined that the prices for the Dialogpost “Impulspost” product did not meet the pricing standards of the *Postgesetz*. The agency ordered the prices to be adjusted immediately (adjustment request). According to the *Bundesnetzagentur*, the prices did not cover the cost of efficiently providing the service and had anti-competitive effects. On 26 July 2016, the *Bundesnetzagentur* barred Deutsche Post from charging these prices and declared the prices invalid (prohibitive order), since at this time Deutsche Post AG had not yet complied with the adjustment request. Deutsche Post AG does not share the legal opinion of the *Bundesnetzagentur* and filed an appeal with the Cologne Administrative Court against the orders issued by the agency. The complaints were dismissed by the Administrative Court of Cologne. Insofar as the complaint against the adjustment request was dismissed, Deutsche Post AG filed an appeal with Münster Higher Administrative Court.

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 43.

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).

In view of the ongoing or announced legal proceedings mentioned above, no further details are given on their presentation in the financial statements.

45 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 €112 million was recognised for share-based payments, €50 million of which were cash-settled and €62 million of which were equity-settled.

45.1 Share-based payment for executives (Share Matching Scheme)

Under the share-based payment system for executives (Share Matching Scheme), certain executives receive part of their variable remuneration for the financial year in the form of shares of Deutsche Post AG in the following year (deferred incentive shares). All Group executives can specify an increased equity component individually by converting a further portion of their variable remuneration for the financial year (investment shares). After a four-year lock-up period during which the executive must be employed by the Group, they again receive the same number of Deutsche Post AG shares (matching shares). Assumptions are made regarding the conversion behaviour of executives with respect to their relevant bonus portion. Share-based payment arrangements are entered into each year, with 1 December (from financial year 2015; until 2014: 1 January) of the respective year and 1 April of the following year being the grant dates for each year's tranche. Whereas incentive shares and matching shares are classified as equity-settled share-based payments, investment shares are compound financial instruments and the debt and equity components must be measured separately. However, in accordance with IFRS 2.37, only the debt component is measured due to the provisions of the Share Matching Scheme. The investment shares are therefore treated as cash-settled share-based payments.

In the first quarter of 2019, a decision was made not to grant a variable remuneration component to executives (excluding members of the Board of Management) for the 2018 financial year. This is why there was no 2018 tranche of the Share Matching Scheme. As an alternative, executives were granted a voluntary investment in shares of Deutsche Post AG. This investment could be made as a contribution or in the form of freely available Deutsche Post AG shares in the securities account. The availability date was 1 July 2019.

€37 million of the expenses under the Share Matching Scheme (previous year: €37 million) was attributable to equity-settled share-based payments. €25 million related to cash-settled share-based payments for investment shares (previous year: €27 million), all of which were unvested as at 31 December 2019.

Additional information on granting and settlement of these rights can be found in note 32 and 33.

Share Matching Scheme

		2014 tranche	2015 tranche	2016 tranche	2017 tranche	Alternative programme 2018 tranche	2019 tranche
Grant date of incentive shares and associated matching shares		1 Jan. 2014	1 Dec. 2015	1 Dec. 2016	1 Dec. 2017	–	1 Dec. 2019
Grant date of matching shares awarded for investment shares		1 April 2015	1 April 2016	1 April 2017	1 April 2018	1 March 2019	1 April 2020
Term	months	63	52	52	52	52	52
End of term		March 2019	March 2020	March 2021	March 2022	June 2023	March 2024
Share price at grant date (fair value)							
Incentive shares and associated matching shares	€	25.91	27.12	29.04	39.26		33.29
Matching shares awarded for investment shares	€	29.12	23.98	31.77	34.97	27.30	34.00[1]
Number of deferred incentive shares	thousands	332	366	320	256	–	194[2]
Number of matching shares expected							
Deferred incentive shares	thousands	n.a.	329	288	230	–	175
Investment shares	thousands	n.a.	848	901	864	384	651
Matching shares issued	thousands	903					

[1] Estimated provisional amount, will be determined on 1 April 2020.
[2] Expected number.

45.2 Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management

Since financial year 2006, 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 or 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.

2006 LTIP

	Issue date	Issue price	Waiting period expires
2014 tranche	1 September 2014	€24.14	31 August 2018
2015 tranche	1 September 2015	€25.89	31 August 2019
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[1]	€31.08	31 August 2022
2019 tranche	1 September 2019	€28.88	31 August 2023

[1] On the grant date of 1 November 2018 (John Gilbert), the issue price was €28.69; the waiting period ends on 31 October 2022.

The Board of Management members received a total of 2,322,978 SARs (previous year: 1,191,840 SARs) with a total value, at the time of issue, of €9.90 million (previous year: €5.43 million).

A stochastic simulation model is used to determine a fair value for the SARs from the 2006 LTIP. As a result, an expense of €26 million (previous year: income of €50 million) for financial year 2019 and a provision of €23 million (previous year: €8 million) as at the balance sheet date were recognised that were attributable entirely to the Board of Management members (previous year: €6 million) upon expiration of the last tranche for executives in July 2019. The provision for the rights exercisable by the Board of Management amounted to €17 million at the reporting date (previous year: €5 million).

For further disclosures on share-based payment for members of the Board of Management, see note 46.2.

45.3 SAR Plan for executives

From July 2006 to August 2013, selected executives received annual tranches of SARs under the SAR Plan. This allowed them to receive a cash payment within a defined period in the amount of the difference between the respective price of Deutsche Post shares and the fixed issue price if demanding performance targets are met (see disclosures on the 2006 LTIP for members of the Board of Management). Starting in 2014, SARs were no longer issued to executives under the SAR Plan.

The exercise period of the last SAR tranche (2013) expired on 31 July 2019 and no more obligations therefore arise from the SAR Plan for executives. The Performance Share Plan (PSP) for executives replaces the SAR Plan.

45.4 Performance Share Plan for executives

The Annual General Meeting on 27 May 2014 resolved to introduce the Performance Share Plan (PSP) for executives. This plan replaces the former share-based payment system (SAR Plan) for executives. Whereas the SAR Plan involved cash-settled share-based payments, under the PSP shares are issued to participants at the end of the waiting period. Under the PSP, the granting of the shares at the end of the waiting period is also linked to the achievement of demanding performance targets. The performance targets under the PSP are identical with the performance targets under the LTIP for members of the Board of Management.

Performance Share Units (PSUs) were issued to selected executives under the PSP for the first time on 1 September 2014. It is not planned that members of the Board of Management will participate in the PSP. The Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management remains unchanged.

In the consolidated financial statements as at 31 December 2019, 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 2019 was 27 months.

Performance Share Plan

	2015 tranche	2016 tranche	2017 tranche	2018 tranche	2019 tranche
Grant date	1 September 2015	1 September 2016	1 September 2017	1 September 2018	1 September 2019
Exercise price	€25.89	€28.18	€34.72	€31.08	€28.88
Waiting period expires	31 August 2019	31 August 2020	31 August 2021	31 August 2022	31 August 2023
Risk-free interest rate	−0.10%	−0.62%	−0.48%	−0.39%	−0.90%
Initial dividend yield of Deutsche Post shares	3.28%	3.73%	3.31%	3.70%	4.33%
Yield volatility of Deutsche Post shares	24.69%	23.94%	23.03%	22.39%	21.38%
Yield volatility of Dow Jones EURO STOXX 600 Index	16.40%	16.83%	16.34%	16.29%	14.79%
Covariance of Deutsche Post shares to Dow Jones EURO STOXX 600 Index	2.94%	2.93%	2.78%	2.66%	2.21%
Quantity					
Rights outstanding at 1 January 2019	3,605,772	3,442,308	2,935,674	3,319,308	0
Rights granted	0	0	0	0	3,522,078
Rights lapsed	1,863,759	203,814	185,136	155,790	15,774
Rights settled at the end of the waiting period	1,742,013	0	0	0	0
Rights outstanding at 31 December 2019	0	3,238,494	2,750,538	3,163,518	3,506,304

46 Related party disclosures

46.1 Related party disclosures (companies and Federal Republic of Germany)

All of the companies below that are controlled by the Group or over which the Group can exercise significant influence are recorded in the list of shareholdings, on the company's website dpdhl.com/en/investors.

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 20.5%. Deutsche Post AG is thus considered to be an associate of the Federal Republic.

RELATIONSHIPS WITH *BUNDESANSTALT FÜR POST UND TELEKOMMUNIKATION*

The *Bundesanstalt für Post und Telekommunikation* (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 2019, Deutsche Post AG was invoiced for €137 million (previous year: €129 million) in instalment payments relating to services provided by the BAnst PT. Further disclosures on the PVK and the VAP can be found in notes 6 and 36.

RELATIONSHIPS WITH THE GERMAN FEDERAL MINISTRY OF FINANCE

In financial year 2001, the German Federal Ministry of Finance and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German Acts on the Reduction of Misdirected Housing Subsidies) relating to housing benefits granted by Deutsche Post AG. A lump-sum payment is made to the Federal Republic each year after a review.

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 six months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the Federal Republic by paying a flat fee. In 2019, this initiative resulted in 57 permanent transfers (previous year: 22) and 5 secondments with the aim of a permanent transfer in 2020 (previous year: 22).

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 2019, this initiative resulted in 3 permanent transfers (previous year: 35).

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.

RELATIONSHIP WITH PENSION FUNDS

The real estate with a fair value of €1,502 million (previous year: €1,424 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 to Deutsche Post Immobilien GmbH. These arrangements led to lease liabilities of €509 million as at 31 December 2019 (previous year: €493 million). In 2019, Deutsche Post Immobilien GmbH extinguished €21 million in lease liabilities and paid €17 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 notes 6 and 36.

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 financial year 2019 with major related parties, resulting in the following items in the consolidated financial statements:

€m	To/from investments accounted for using the equity method		To/from unconsolidated companies	
	2018	2019	2018	2019
Trade receivables	5	14	7	5
Loans	0	0	27	1
Receivables from in-house banking	5	16	0	0
Financial liabilities	9	1	31	2
Trade payables	1	14	0	5
Income[1]	2	12	7	3
Expenses[2]	1	0	14	9

[1] Relates to revenue and other operating income. [2] Relate to materials expense and staff costs.

Deutsche Post AG issued letters of commitment in the amount of €7 million (previous year: €8 million) for these companies. Of this amount, €2 million (previous year: €3 million) was attributable to investments accounted for using the equity method, €1 million (previous year: €1 million) to joint operations and €4 million (previous year: €4 million) to unconsolidated companies.

46.2 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 financial year 2019. In particular, the company extended 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	2018	2019
Short-term employee benefits (excluding share-based payment)	14	16
Post-employment benefits	3	2
Termination benefits	4	0
Share-based payment[1]	–34	12
Total	**–13**	**30**

[1] Gain on the reversal of the SAR provision in financial year 2018, owing to the share price performance at that time.

As well as the aforementioned benefits for their work on the Supervisory Board, the employee representatives on the Supervisory Board and employed by the Group also receive their normal salaries for their work in the company. These salaries are determined at levels that are commensurate with the salary appropriate for the function or work performed in the company.

Post-employment benefits are recognised as the service cost resulting from the pension provisions for active members of the Board of Management. The corresponding liability amounted to €38 million at the reporting date (previous year: €41 million).

The share-based payment amount relates to the relevant expense recognised for financial years 2018 and 2019; further details can be found in notes 45.2 and 46.3. The expense is itemised in the following table:

Share-based payment

Thousands of €

	2018 SARs	2019 SARs
Dr Frank Appel, Chairman	–18,183	5,026
Ken Allen	–5,769	3,519
Oscar de Bok (since 1 October 2019)	–	–
Dr h.c. Jürgen Gerdes (until 12 June 2018)	–6,161	–
John Gilbert (until 30 September 2019)	–2,916	1,595
Melanie Kreis	–1,271	1,518
Dr Tobias Meyer (since 1 April 2019)	–	60
Dr Thomas Ogilvie	–39	276
John Pearson (since 1 January 2019)	–	60
Tim Scharwath	–39	292
Share-based payment[1]	**–34,378**	**12,346**

[1] Gain on the reversal of the SAR provision in financial year 2018, owing to the share price performance at that time.

46.3 Remuneration disclosures in accordance with the HGB

BOARD OF MANAGEMENT REMUNERATION

The remuneration paid to members of the Board of Management in financial year 2019 totalled €13.6 million (previous year: €11.4 million). Non-performance-related components (fixed and fringe benefits) accounted for €8.2 million (previous year: €8.1 million) and €5.5 million (previous year: €3.3 million) was attributable to the annual bonus paid as a performance-related component. An additional €2.9 million (previous year: €0.6 million) of the annual bonus was transferred to the medium-term component (deferral). In financial year 2019, the Board of Management members received a total of 2,322,978 SARs (previous year: 1,191,840 SARs), which at the issue date were valued at €9.9 million (previous year: €5.4 million).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

Benefits paid to former members of the Board of Management or their surviving dependants amounted to €6.3 million (previous year: €9.6 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs was €100 million (previous year: €94 million).

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in financial year 2019 amounted to €2.6 million (previous year: €2.7 million); €2.4 million of this amount was attributable to a fixed component, as in the prior year, and €0.2 million to attendance allowances (previous year: €0.3 million).

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found in the remuneration report, which forms part of the Group Management Report.

SHAREHOLDINGS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As at 31 December 2019, 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 at dpdhl.com/en/investors.

47 Auditor's fees

The fee for the auditor of the consolidated financial statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, amounted to €10 million in financial year 2019 and was recognised as an expense.

Auditor's fee

€m

	2019
Audit services	10
Other assurance services[1]	0
Tax advisory services	0
Other services[1]	0
Total	**10**

[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, accompanying auditors in connection with the implementation of new accounting requirements and the fees for voluntary audits beyond the statutory audit engagement, such as audits of the internal control system, are also reported in this category.

Other assurance services related in particular to voluntary audits of financial information and certificates for the internal control system. Other services mainly comprised services relating to further development of the internal control systems outside the financial organisation.

48 Exemptions under the HGB and local foreign legislation

For financial year 2019, the following German subsidiaries have exercised the simplification options under section 264(3) of the HGB or section 264b of the HGB and, if applicable, section 291 of the HGB:

- Agheera GmbH
- Albert Scheid GmbH
- CSG GmbH
- CSG.PB 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
- Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG
- Deutsche Post DHL Express Holding GmbH
- Deutsche Post DHL Research and Innovation GmbH
- Deutsche Post Dialog Solutions GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post IT Services (Berlin) GmbH (formerly: Deutsche Post E-Post Development GmbH)
- Deutsche Post E-POST Solutions GmbH
- Deutsche Post Fleet GmbH
- Deutsche Post Immobilien GmbH
- Deutsche Post InHaus Services GmbH
- Deutsche Post Investments GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post Mobility GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL Automotive Offenau GmbH
- DHL Consulting GmbH
- DHL Delivery GmbH
- DHL Express Customer Service GmbH
- DHL Express Germany GmbH
- DHL Express Network Management GmbH
- DHL Fashion Retail Operations GmbH
- DHL FoodLogistics GmbH
- DHL Freight Germany Holding GmbH
- DHL Freight GmbH
- DHL Global Forwarding GmbH
- DHL Global Forwarding Management GmbH
- DHL Global Management GmbH
- DHL Home Delivery GmbH
- DHL Hub Leipzig GmbH
- DHL International GmbH
- DHL Inventory Finance Services GmbH
- DHL Paket GmbH
- DHL Paketzentrum Obertshausen 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 VAS GmbH
- DHL Trade Fairs & Events 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
- yunexus GmbH

The following companies in the UK make use of the audit exemption under section 479A of the UK Companies Act:

- DHL Exel Supply Chain Limited
- Exel Freight Management (UK) Limited
- Exel Investments Limited
- Exel Overseas Limited
- Freight Indemnity and Guarantee Company Limited
- Ocean Group Investments Limited
- Ocean Overseas Holdings Limited
- Power Europe Development Limited
- Power Europe Operating Limited

49 Declaration of Conformity with the German Corporate Governance Code

The Board of Management and the Supervisory Board of Deutsche Post AG jointly submitted the Declaration of Conformity with the German Corporate Governance Code for financial year 2019 required by section 161 of the AktG. This Declaration of Conformity can be accessed online at dcgk.de and at dpdhl.com/en/investors.

50 Significant events after the reporting date and other disclosures

After the Chinese government introduced measures to contain the coronavirus outbreak in early 2020, trade volumes in subsequent weeks weakened, not only on the inbound and outbound

China trade lanes but also in other countries of Asia; constraints on industrial production are also expected outside of China. The Group currently sees more significant effects for the Global Forwarding business unit and the Express division, where the business is particularly affected with regards to cross-border trade flows into and out of China. The other business units have been affected only marginally to date. The impact on the Group's full-year results cannot be estimated with any precision at this time. In case of a longer duration or a worsening of the current situation over the next months, the negative effects for the Group are likely to outweigh the positives.

On 28 February 2020 the Group decided to concentrate on operating the existing StreetScooter fleet. The realignment of StreetScooter is expected to result in a one-off expense of €300 million to €400 million outside of the company's core business for the current financial year. In addition to the result from current StreetScooter operations, this will largely comprise depreciation and impairment losses on current and non-current assets and restructuring costs.

There were no other significant events after the reporting date.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group, 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, 14 February 2020

Addition of disclosures related to material subsequent events to the notes to the consolidated financial statements and the group management report: these subsequent events concern the impact of the coronavirus on the earnings forecast for 2020 and the decision to restructure StreetScooter into an operator of the existing fleet of vehicles.

Bonn, 9 March 2020

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, 2019, 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, 2019, 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, 2019. 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, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, 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, 2019. 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 11.3 billion is reported under the balance sheet item "Intangible assets", representing approximately 22% of total assets and 81% of the Group's reported equity. Goodwill is tested for impairment by the Company on an annual basis as of the balance sheet date 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 for those cash-generating units with low headroom (recoverable amount compared with the carrying amount) 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 are reproduceable.

③ The Company's disclosures regarding goodwill are contained in note 21 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 5.1 billion is reported under the balance sheet item "Provisions for pensions and similar obligations". The net pension provisions of EUR 4.9 billion (after consideration of reported plan assets of EUR 0.2 billion) were calculated on the basis of the present value of the obligations amounting to EUR 18.6 billion, netted against the plan assets of EUR 13.7 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 be 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 resulted in actuarial losses of EUR 2.1 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 are contained in note 36 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 the "Declaration on Corporate Governance and Non-financial Group Report" section of the group management report
- the separate non-financial report pursuant to § 289 b Abs. 3 HGB and § 315 b Abs. 3 HGB

The other information comprises further the 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 and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or 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 scepticism 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 control.
- 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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 15, 2019. We were engaged by the supervisory board on August 8, 2019. We have been the group auditor of Deutsche Post AG, Bonn without interruption since the Company first met the requirements as a public interest entity within the meaning of § 319 a Abs. 1 Satz 1 HGB in the 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 Supplementary Audit

We issue this auditor's report on the amended consolidated financial statements and amended group management report on the basis of our audit, duly completed as at 14 February 2020, and our supplementary audit completed as at 9 March 2020 related to the addition of disclosures related to material subsequent events to the notes to the consolidated financial statements and the group management report. These subsequent events concern the impact of the coronavirus on the earnings forecast for 2020 and the decision to restructure StreetScooter into an operator of the existing fleet of vehicles. We refer to the presentation of the amendments by the executive directors in the amended notes to the consolidated financial statements, note 50 "Significant events after the reporting date and other disclosures", as well as the amended group management report, sections "report on economic position", "expected developments" and "opportunities and risks".

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Verena Heineke.

Düsseldorf, 14 February 2020 / limited to the amendments stated in the "Reference to Supplementary Audit" section above: 9 March 2020.

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm	Verena Heineke
Wirtschaftsprüfer	*Wirtschaftsprüferin*
(German Public Auditor)	(German Public Auditor)

FURTHER INFORMATION

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MULTI-YEAR REVIEW

Key figures, 2014 to 2019

€m	2014 adjusted	2015	2016 adjusted	2017 adjusted	2018 adjusted	2019
Revenue						
Post & Parcel Germany	15,686	16,131	17,078	18,161	15,108	15,484
Express	12,491	13,661	13,748	15,049	16,147	17,101
Global Forwarding, Freight	14,924	14,890	13,737	14,482	14,978	15,128
Supply Chain	14,737	15,791	13,957	14,152	13,350	13,436
eCommerce Solutions	–	–	–	–	3,834	4,045
Total for the divisions	57,838	60,473	58,520	61,844	63,417	65,194
Corporate Functions (until 2017: Corporate Center/Other)	1,345	1,269	1,279	1,387	1,624	1,477
Consolidation	−2,553	−2,512	−2,465	−2,787	−3,491	−3,330
Total	**56,630**	**59,230**	**57,334**	**60,444**	**61,550**	**63,341**
Profit/loss from operating activities (EBIT)						
Post & Parcel Germany	1,298	1,103	1,446	1,503	683	1,230
Express	1,260	1,391	1,544	1,736	1,957	2,039
Global Forwarding, Freight	293	−181	287	297	442	521
Supply Chain	465	449	572	555	520	912
eCommerce Solutions	–	–	–	–	−27	−51
Total for the divisions	3,316	2,762	3,849	4,091	3,575	4,651
Corporate Functions (until 2017: Corporate Center/Other)	−352	−351	−359	−350	−414	−521
Consolidation	1	0	1	0	1	−2
Total	**2,965**	**2,411**	**3,491**	**3,741**	**3,162**	**4,128**
Consolidated net profit for the period	**2,177**	**1,719**	**2,781**	**2,853**	**2,224**	**2,776**
Cash flow/capex/depreciation, amortisation and impairment losses						
Net cash from operating activities	3,040	3,444	2,439	3,297	5,796	6,049
Net cash used in investing activities	−1,087	−1,462	−1,643	−2,091	−2,777	−2,140
Net cash used in financing activities	−2,348	−1,367	−1,233	−1,087	−3,039	−4,112
Free cash flow	1,345	1,724	444	1,432	1,059	867
Capex[1]	1,876	2,024	2,074	2,268	2,648	3,617
Depreciation, amortisation and impairment losses	1,381	1,665	1,377	1,471	3,292	3,684
Assets and capital structure						
Non-current assets	22,902	23,727	24,166	23,916	34,804	37,117
Current assets	14,077	14,143	14,129	14,756	15,666	15,052
Equity (excluding non-controlling interests)	9,376	11,034	11,087	12,637	13,590	14,117
Non-controlling interests	204	261	263	266	283	275
Non-current provisions and liabilities	13,804	12,734	12,127	11,370	20,131	20,904
Current provisions and liabilities	13,595	13,841	14,818	14,399	16,466	16,873
Total assets	**36,979**	**37,870**	**38,295**	**38,672**	**50,470**	**52,169**

		2014	2015	2016	2017	2018	2019
Employees/staff costs							
Number of employees[2]	At 31 Dec.	488,824	497,745	508,036	519,544	547,459	546,924
Full-time equivalents[3]	At 31 Dec.	443,784	450,508	459,262	472,208	499,018	499,250
Average number of employees[2]		484,025	492,865	498,459	513,338	534,370	544,282
Staff costs	€m	18,189	19,640	19,592	20,072	20,825	21,610
Staff cost ratio[4]	%	32.1	33.2	34.2	33.2	33.8	34.1
Key figures revenue/income/assets and capital structure							
Return on sales[5]	%	5.2	4.1	6.1	6.2	5.1	6.5
Return on equity (ROE) before taxes[6]	%	26.3	19.7	27.7	27.5	19.3	24.6
Return on assets[7]	%	8.2	6.4	9.2	9.7	7.1	8.0
Tax rate[8]	%	15.5	16.4	11.2	14.3	14.0	20.1
Equity ratio[9]	%	25.9	29.8	29.6	33.4	27.5	27.6
Net debt[10]	€m	1,499	1,093	2,261	1,938	12,303	13,367
Net gearing[11]	%	13.5	8.8	16.6	13.1	47.0	48.2
Key stock data							
Basic earnings per share[12]	€	1.71	1.27	2.19	2.24	1.69	2.13
Diluted earnings per share[13]	€	1.64	1.22	2.10	2.15	1.66	2.09
Cash flow per share[12, 14]	€	2.51	2.84	2.03	2.72	4.71	4.90
Dividend distribution	€m	1,030	1,027	1,270	1,409	1,419	1,546[15, 16]
Payout ratio[17]	%	49.7	66.7	48.1	51.9	68.4	58.9
Dividend per share	€	0.85	0.85	1.05	1.15	1.15	1.25[15]
Dividend yield	%	3.1	3.3	3.4	2.9	4.8	3.7
Price-to-earnings ratio[18]		15.8	20.4	14.3	17.7	14.1	16.0
Price-to-cash flow ratio[19]		10.8	9.1	15.4	14.6	5.1	6.9
Number of shares as at 31 December	millions	1,211.2	1,212.8	1,240.9	1,228.7	1,236.5	1,236.5
Year-end closing price	€	27.05	25.96	31.24	39.75	23.91	34.01
High	€	28.43	31.08	31.35	40.99	40.96	34.91
Low	€	22.30	23.15	19.73	30.60	23.72	23.54
Market capitalisation as at 31 December	€m	32,758	31,483	38,760	48,841	29,411	42,053
Average trading volume per day[20]	shares	4,019,689	4,351,223	3,497,213	2,613,290	3,770,866	3,109,350
Annual performance including dividends	%	5.1	−0.9	23.6	30.6	−36.9	47.1
Annual performance excluding dividends	%	2.1	−4.0	20.3	27.2	−39.8	42.2
Beta factor[21]		0.94	0.95	0.97	0.99	0.97	1.00

[1] As of 2017: capex relating to assets acquired. [2] Headcount including trainees. [3] Excluding trainees. [4] Staff costs/revenue. [5] EBIT/revenue. [6] Profit before income taxes/average equity (including non-controlling interests). [7] EBIT/average total assets. [8] Income taxes/profit before income taxes. [9] Equity (including non-controlling interests)/total assets. [10] Combined Management Report, page 45. [11] Net debt/net debt and equity (including non-controlling interests). [12] The average weighted number of shares outstanding is used for the calculation. [13] The average weighted number of shares outstanding is adjusted for the number of all potentially dilutive shares. [14] Cash flow from operating activities. [15] Proposal. [16] Estimate. [17] Excluding one-off effects, 2015: 45.8%, 2018: 55.4%, 2019: 59.4%. [18] Year-end closing price/basic earnings per share. [19] Year-end closing price/cash flow per share. [20] Volumes traded via the Xetra trading venue. [21] Three-year beta; source: Bloomberg.

GLOSSARY

Deutsche Post

Dialogue marketing
Market-orientated activities that apply direct communications to selectively reach target groups using a personal, individualised approach.

German federal network agency *(Bundesnetzagentur)*
German national regulator for electricity, gas, telecommunications, post and railway.

German Postal Act *(Postgesetz)*
The purpose of the German Postal Act, which took effect on 1 January 1998, is to promote postal competition through regulation and ensure the nationwide provision of appropriate and sufficient postal services. It includes regulations on licensing, price control and the universal service. The initiation of a legislative procedure for a new Postal Act is expected in the course of 2020.

Packstation
Parcel machine where parcels and small packages can be deposited and collected around the clock.

Price-cap procedure
Procedure whereby the German federal network agency approves prices for certain mail products. The agency approves prices on the basis of parameters it stipulates in advance, which set the average changes in these prices within baskets of services defined by the agency.

DHL

B2C
The exchange of goods, services and information between businesses and consumers.

Block space agreement
Freight forwarders or shippers enter into block space agreements with airline companies which provide them with defined freight capacities on a regular flight against payment of a fee.

Contract logistics
Complex logistics and logistics-related services along the value chain that are performed by a contract logistics service provider. Services are tailored to a particular industry or customer and are generally based on long-term contracts.

Customer Solutions & Innovation (CSI)
DHL's cross-divisional commercial and innovation unit.

Gateway
Collection point for goods intended for export and for further distribution of goods upon import.

Hub
Collection point for transferring and connecting international shipments from and to multiple countries.

Lead Logistics Partner (LLP)
A logistics service provider who assumes the organisation of all or key logistics processes for the customer.

Medical Express
The transport of time-critical or temperature-critical medical shipments such as blood and tissue samples to medical facilities, hospitals, laboratories or research institutes, usually related to clinical trials of new medications.

Multimodal transport
Combines a minimum of two different means of transport for a shipment, such as air, sea, rail and ground.

Supply chain
A series of connected resources and processes from sourcing materials to delivering goods to consumers.

Time Definite
Delivery of time-critical shipments by a pre-selected time.

Transported Asset Protection Association (TAPA)
A forum that unites manufacturers, logistics providers, freight carriers, law enforcement authorities and other stakeholders with the common aim of reducing losses from international supply chains.

Twenty-foot equivalent unit (TEU)
Standardised container unit, 20 feet long and 8 feet wide (6 × 2.4 metres).

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FINANCIAL CALENDAR

2020

Results of the first quarter of 2020	**12 May**
2020 Annual General Meeting	**13 May**
Dividend payment	**18 May**
Results of the first half of 2020	**5 August**
Results of the first nine months of 2020	**10 November**

2021

Results of financial year 2020	**9 March**
Results of the first quarter of 2021	**5 May**
2021 Annual General Meeting	**6 May**
Dividend payment	**11 May**
Results of the first half of 2021	**5 August**
Results of the first nine months of 2021	**4 November**

Further dates, updates as well as information on live webcasts:
@ **dpdhl.com/en/investors**

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