RESILIENT

2020 Annual Report

Deutsche Post DHL Group

Key figures

		2016	2017	2018	2019	2020
Financial figures						
Revenue	€m	57,334	60,444	61,550	63,341	66,806
Profit from operating activities (EBIT)	€m	3,491	3,741	3,162	4,128	4,847
Return on sales[1]	%	6.1	6.2	5.1	6.5	7.3
EBIT after asset charge (EAC)	€m	1,963	2,175	716	1,509	2,199
Consolidated net profit for the period[2]	€m	2,639	2,713	2,075	2,623	2,979
Net cash from operating activities	€m	2,439	3,297	5,796	6,049	7,699
Free cash flow	€m	444	1,432	1,059	867	2,535
Capex[3]	€m	2,074	2,268	2,648	3,617	2,999
Equity ratio[4]	%	29.6	33.4	27.5	27.6	25.5
Net debt[5]	€m	2,261	1,938	12,303	13,367	12,928
Net gearing[6]	%	16.6	13.1	47.0	48.2	47.9
Stock data						
Basic earnings per share[7]	€	2.19	2.24	1.69	2.13	2.41
Diluted earnings per share[8]	€	2.10	2.15	1.66	2.09	2.36
Cash flow per share[7,9]	€	2.03	2.72	4.71	4.90	6.22
Dividend per share	€	1.05	1.15	1.15	1.15	1.35[10]
Dividend distribution	€m	1,270	1,409	1,419	1,422	1,673[10,11]
Number of shares as at 31 December	millions	1,240.9	1,228.7	1,236.5	1,236.5	1,239.1
Year-end closing price	€	31.24	39.75	23.91	34.01	40.50
ESG figures						
CO_2e efficiency index (CEX)	index points	30	32	33	35	37
CO_2e emissions[12]	million tonnes	26.86	28.86	29.46	27.42	27.38
Energy consumption, fleet[12]	million kWh	20,798	21,733	23,243	23,100	24,294
Energy consumption, buildings and facilities (including electric vehicles)	million kWh	3,039	3,194	3,194	3,099	3,089
Employee Opinion Survey, approval rating for Employee Engagement KPI	%	75	75	76	77	82
Number of employees[13]		508,036	519,544	547,459	546,924	571,974
Staff costs	€m	19,592	20,072	20,825	21,610	22,234
Share of women in management[14]	%	21.1	21.5	22.1	22.2	23.2
Accident rate (number of accidents per 200,000 hours worked)		4.0	4.4	4.3	4.2	3.9

[1] EBIT/revenue. [2] After deduction of non-controlling interests. [3] As of 2017: capex relating to assets acquired. [4] Equity (including non-controlling interests)/total equity and liabilities. [5] Calculation Combined Management Report. [6] Net debt/net debt and equity (including non-controlling interests). [7] The average weighted number of shares outstanding is used for the calculation. [8] The average weighted number of shares outstanding is adjusted for the number of all potentially dilutive shares. [9] Cash flow from operating activities. [10] Proposal. [11] Estimate. [12] Adjusted for 2019. [13] Headcount at the end of the year, including trainees. [14] Upper and middle management.

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We have shown that we are robust and that we are essential to trade and the global flow of goods.

Frank Appel

Dear Readers, 2020 was an extraordinarily challenging year, which we managed to conclude very successfully in the end. Against the backdrop of the COVID-19 pandemic, we have shown that we are robust and that we are essential to trade and the global flow of goods.

The pandemic presented new challenges every day, which we mastered by working together across our business units: We adjusted routes and processes, increased resources and repeatedly rescheduled supply chains. That enabled us to keep global trade flowing, safeguard industry supply chains and handle the enormous parcel volume. At the same time, we have taken extensive protective measures to maximise the safety of our employees and customers.

Group EBIT was €4.8 billion, marking the best year in our company's history. Adjusted for non-recurring effects this figure reached more than €5.4 billion. These results underline the resilience of our business model.

We have taken extensive measures to protect our employees and customers.

We have proven that we deliver reliably, even in a turbulent market environment. We are able to respond to changing circumstances with agility and, through the interaction of our divisions, master even the most difficult logistics challenges.

Our growth drivers remain fully intact and have even strengthened – especially the global boom in e-commerce. We continue to grow even without economic tailwinds. The crisis has revealed the true strength of Deutsche Post DHL Group.

The crisis has revealed our true strength.

Our resilience is the result of the disciplined and consistent execution of our Group strategy in recent years. Focussing on our profitable core logistics business has proven successful and, along with a systematic positioning on e-commerce, increased our profitability. Furthermore, continuous investment in our logistics network and in digital transformation has made us more agile in the face of global economic turmoil. Deutsche Post DHL Group is therefore very well positioned for future profitable growth.

As one of several logistics providers currently delivering COVID-19 vaccines, we are making a vital contribution to society in keeping with our purpose of connecting people, improving lives.

The most important challenges of our time shall never fade into the background, they always have to form the guiding principles for our corporate actions. We want to use our global network and capabilities to contribute to a better world for us all. This is the core of our understanding of sustainability.

Sustainability is a cornerstone of our Strategy 2025 – Delivering excellence in a digital world. As a signatory to the UN Global Compact and a supporter of the United Nation's Sustainable Development Goals, we have integrated these objectives into our strategy.

We want to contribute to a better world for us all.

Over the course of 2020, we updated our ESG roadmap in order to lay the foundation for our future success. In the first quarter of 2021, we will announce an update to the measures with which we as a company want to achieve a targeted contribution to overcoming the long-term challenges in the environmental, social and governance dimensions. We also set milestones to focus our efforts and monitor our progress. These transparent, time-bound targets and KPIs will keep us on track and be pursued as rigorously as our financial targets.

Sincerely yours, Frank Appel
Chief Executive Officer

BOARDS AND COMMITTEES

Members of and mandates held by the Board of Management

Members

Dr Frank Appel
Chief Executive Officer

Global Business Services

Born in 1961, nationality German
Board member since November 2002
CEO since February 2008
Appointed until October 2022

Ken Allen
eCommerce Solutions

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

Oscar de Bok
Supply Chain

Born in 1967, nationality Dutch
Board member since October 2019
Appointed until September 2022

Melanie Kreis
Finance

Born in 1971, nationality German
Board member since October 2014
Appointed until June 2022

Dr Tobias Meyer
Post & Parcel Germany

Born in 1975, nationality German
Board member since April 2019
Appointed until March 2022

Dr Thomas Ogilvie
Human Resources, Corporate Incubations

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

John Pearson
Express

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

Tim Scharwath
Global Forwarding, Freight

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

Mandates

Memberships on comparable bodies

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

[1] Group mandate.

You can find more information on our Website.

Members of and mandates held by the Supervisory Board

Members

Shareholder representatives

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

Dr Günther Bräunig
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, former Director General of the European Broadcasting Union

Werner Gatzer
(until 12 February 2020)
State Secretary, Federal Ministry of Finance

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

Dr Jörg Kukies
(since 16 April 2020)
State Secretary, Federal Ministry of Finance

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

Roland Oetker
(until 27 August 2020)
Managing partner, ROI Verwaltungsgesellschaft mbH

Lawrence Rosen
(since 27 August 2020)
Member of various supervisory boards, former member of the Board of Management of Deutsche Post AG

Dr Stefan Schulte
Chair of the Executive Board of Fraport AG

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

Employee representatives

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

Rolf Bauermeister
(until 15 July 2020)
Trade Union Secretary, ver.di National Administration

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

Thorsten Kühn
(since 28 August 2020)
Head of Postal Services, Co-determination and Youth, and Head of National Postal Services Group at ver.di National Administration

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

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

Shareholder representatives

Memberships of statutory supervisory boards

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

Dr Günther Bräunig
Deutsche Pfandbriefbank AG (Chair)
Deutsche Telekom AG

Werner Gatzer
(until 12 February 2020)
Flughafen Berlin Brandenburg GmbH
PD-Berater der öffentlichen Hand GmbH (Chair)

Dr Heinrich Hiesinger
BMW AG
Fresenius Management SE (since 1 July 2020)
ZF Friedrichshafen AG (since 1 January 2021)

Dr Jörg Kukies
(since 16 April 2020)
KfW IPEX-Bank GmbH[1]

Simone Menne
BMW AG
Springer Nature KGaA (until 20 February 2020)
Henkel AG & Co. KGaA (since 17 June 2020)

Lawrence Rosen
(since 27 August 2020)
Lanxess AG
Lanxess Deutschland GmbH[2]

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 (Board of Directors)[3]
Volkswagen Participações Ltda., Brazil (Supervisory Board)[3]
Volkswagen Holding Financière S.A., France (Supervisory Board)[3]
Volkswagen Payments S.A., Luxembourg (Supervisory Board, Chair)[3]
Volkswagen S.A., Institución de Banca Múltiple, Mexico (Supervisory Board)[3]
VW Credit, Inc., USA (Board of Directors)[3]

Ingrid Deltenre
Givaudan SA, Switzerland (Board of Directors)
Banque Cantonale Vaudoise SA, Switzerland (Board of Directors)
Agence France Presse, France (Board of Directors)
Sunrise Communications AG, Switzerland (Board of Directors) (until 9 November 2020)
Akara Funds AG, Switzerland (Board of Directors) (since 31 August 2020)

Dr Jörg Kukies
(since 16 April 2020)
KfW Bankengruppe (Deputy member of the Board of Directors)

Simone Menne
Johnson Controls International plc, Ireland (Board of Directors)
Russell Reynolds Associates Inc., USA (Board of Directors)

Roland Oetker
(until 27 August 2020)
Rheinisch-Bergische Verlagsgesellschaft mbH (Supervisory Board) (until 31 March 2020)

Lawrence Rosen
(since 27 August 2020)
Qiagen N.V., Netherlands (Supervisory Board, Chair)

Dr Stefan Schulte
Fraport Ausbau Süd GmbH (Supervisory Board, Chair)[4]
Fraport Regional Airports of Greece A S.A., Greece (Board of Directors, Chair)[4]
Fraport Regional Airports of Greece B S.A., Greece (Board of Directors, Chair)[4]
Fraport Regional Airports of Greece Management Company S.A., Greece (Board of Directors, Chair)[4]
Fraport Brasil S.A. Aeroporto de Porto Alegre, Brazil (Supervisory Board, Chair)[4]
Fraport Brasil S.A. Aeroporto de Fortaleza, Brazil (Supervisory Board, Chair)[4]

Employee representatives

Memberships of statutory supervisory boards

Jörg von Dosky
PSD Bank München eG

Stephan Teuscher
DHL Hub Leipzig GmbH (Deputy Chair)

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

You can find more information on our **Website.**

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Deutsche Post DHL Group, the world's leading logistics company, continued its growth trajectory in 2020, even in an economic environment shaped by the COVID-19 pandemic. Thanks to our broad portfolio of logistics services, our global reach and the tireless commitment of our around 570,000 employees worldwide, the Group ensured the delivery of services to the public and kept important supply chains running for industry, even in extremely challenging times.

Despite the extraordinary circumstances in the year under review, the Board of Management and Supervisory Board again worked together constructively in an atmosphere of trust and successfully led the company through the crisis triggered by COVID-19. From the start of the pandemic, the Board of Management kept the Supervisory Board abreast of current developments and precautions taken. The Supervisory Board regularly discussed the details of business performance in the divisions with the Board of Management to ensure that operations were running smoothly whilst protecting the health of our employees. Along with the Board of Management, the Supervisory Board decided to hold the 2020 Annual General Meeting virtually and, thanks to the positive business situation in summer, to pay a dividend equal to that of the prior year.

The Supervisory Board prepared for the pending change in auditor in the 2023 financial year and resolved to propose Deloitte GmbH Wirtschaftsprüfungsgesellschaft to the Annual General Meeting as auditor of the company's annual and consolidated financial statements. We deliberated on the system for remunerating the Board of Management in several meetings and will present the remuneration system with some modifications to the 2021 Annual General Meeting for approval. In future, we will continue to comply with all of the suggestions and recommendations in the new German Corporate Governance Code and therefore issued an unqualified Declaration of Conformity along with the Board of Management. Moreover, we regularly considered issues related to maintaining our competitiveness in the committees and the plenary meetings.

Attendance at plenary and committee meetings

	Supervisory Board meetings		Committee meetings	
Supervisory Board member	Number	Attendance %	Number	Attendance %
Dr Nikolaus von Bomhard (Chair)	6/6	100	15/15	100
Andrea Kocsis (Deputy Chair)	6/6	100	13/13	100
Rolf Bauermeister (until 15 July 2020)	4/4	100	5/5	100
Dr Günther Bräunig	6/6	100	5/5	100
Dr Mario Daberkow	6/6	100	–	–
Ingrid Deltenre	6/6	100	8/8	100
Jörg von Dosky	6/6	100	–	–
Werner Gatzer (until 12 February 2020)	–	–	–	–
Gabriele Gülzau	6/6	100	–	–
Thomas Held	6/6	100	4/4	100
Dr Heinrich Hiesinger	6/6	100	2/2	100
Mario Jacubasch	6/6	100	–	–
Thomas Koczelnik	6/6	100	19/19	100
Thorsten Kühn (since 28 August 2020)	2/2	100	2/2	100
Dr Jörg Kukies (since 16 April 2020)	5/5	100	11/12	92
Ulrike Lennartz-Pipenbacher	6/6	100	–	–
Simone Menne	6/6	100	10/10	100
Roland Oetker (until 27 August 2020)	4/4	100	5/5	100
Lawrence Rosen (since 27 August 2020)	2/2	100	–	–
Dr Stefan Schulte	6/6	100	10/10	100
Stephan Teuscher	6/6	100	12/12	100
Stefanie Weckesser	6/6	100	10/10	100
Prof. Dr-Ing. Katja Windt	6/6	100	–	–

The regular discussions I had with Board of Management Chair Frank Appel as well as those between Finance and Audit Committee Chair Stefan Schulte and Chief Financial Officer Melanie Kreis were a springboard for thorough deliberations on current issues in the committees and plenary meetings.

Members of the Supervisory Board participated in these in-depth discussions and in passing resolutions. The meeting attendance rate in the year under review was – with one exception – 100%.

Six plenary Supervisory Board meetings and 25 committee meetings in total were held in the reporting year. The members of the Board of Management participated in plenary meetings and reported on the business performance in the divisions for which they are responsible. The Supervisory Board dealt with certain agenda items without the participation of the Board of Management members, except for the presence of the Chair of the Board of Management. In its September meeting, the Supervisory Board also met without the Board of Management present. The Chair and the members of the Board of Management with responsibility for the relevant areas 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. I held talks with investors regarding issues that are the Supervisory Board's responsibility. We will consider the substance of these discussions in our work going forward.

Key topics addressed in plenary meetings

In our March 2020 meeting, we discussed the annual and consolidated financial statements, including the combined management report 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 2020 Annual General Meeting, including the dividend proposal, were also approved at this meeting. In addition, we considered the options for StreetScooter and approved the realignment resolved by the Board of Management.

In May, our intensive discussions revolved around the effects of the COVID-19 pandemic on the health of employees and the course of business. Our Strategy 2025 proved viable. Despite the exceptional situation, solid results were delivered in the first quarter.

The meeting in June was focused mainly on the general performance of our business during the pandemic, implementation of the digital transformation strategy in the Supply Chain division and the remuneration system for Board of Management members.

In July, we discussed the preliminary half-year figures, the forecasts for 2020 and 2022, and the adjusted proposal on the appropriation of available net earnings.

The September meeting concentrated primarily on strategic issues.

At the last Supervisory Board meeting of the year in December, we approved the Group's business plan for 2021 and the targets for variable remuneration of the Board of Management for the 2021 financial year, approved modifications to the remuneration system for Board of Management members and again issued an unqualified Declaration of Conformity along with the Board of Management. We additionally agreed to propose to the Annual General Meeting the election of Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the 2023 financial year. Our annual Directors' Day was held on the day prior to the meeting. The head of accounting presented detailed information on the company's current financial position and was available to answer questions and provide explanations. Specific support was provided to the most recently elected members of the Supervisory Board by the company in the form of on-boarding sessions held with the Chair and other members of the Board of Management; additional measures included the provision of informational materials, access to a digital data room specially designed for the Supervisory Board and the offer of reimbursement for the cost of attending selected external training events and subscribing to industry publications. In addition, to the extent permitted by the coronavirus restrictions, regular guided walk-throughs at operating units of the company were held in conjunction with Supervisory Board meetings with the participation of members of the Board of Management. These provided Supervisory Board members with an in-depth look at operational workflows and conditions on the ground.

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.**

The Executive Committee met four times and dealt mainly with Board of Management issues, particularly reviewing the remuneration system, and preparatory work for Supervisory Board meetings.

The Personnel Committee also held four meetings. Items discussed focussed upon keeping employees safe during the pandemic, promoting women to executive positions, HR processes and services, leadership and culture, and talents and skills.

The Finance and Audit Committee met ten times. It examined the financial statements and the combined management report for the company and the Group. The committee also discussed the half-yearly financial report following the review by the auditor and the quarterly financial statements with the Board of Management and the auditor prior to publication. 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 call for tenders for auditing services for the 2023 financial year on several occasions and provided extensive support for this process. At the end of the year, we agreed to propose that the Annual General Meeting elect Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the 2023 financial year. 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 five 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 included regular status updates by the divisions once again in 2020.

The Nomination Committee met twice. In March, the committee recommended that the Supervisory Board propose to the Annual General Meeting that, in addition to Lawrence Rosen, Jörg Kukies, who is State Secretary in Germany's Federal Ministry of Finance, be proposed as a candidate to the Supervisory Board for a five-year term of office. Both candidates were elected with a large majority of the Annual General Meeting. In December, the Supervisory Board recommended that Ingrid Deltenre, Katja Windt and Nikolaus von Bomhard be re-elected.

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

Changes to the Supervisory Board

A shareholder representative, Roland Oetker, stepped down from the company's Supervisory Board as planned with effect from the end of the 2020 Annual General Meeting held in August. He was not available for re-election due to the age limit resolved by the Supervisory Board. The Annual General Meeting elected Lawrence Rosen as his successor. Lawrence Rosen served as Deutsche Post AG's Chief Financial Officer from 2009 to 2016. He complements the Supervisory Board skill set and, as a CFO who has worked internationally, possesses a wide range of experience and expertise in the areas of strategy, finance, accounting and financial statement auditing. Werner Gatzer stepped down in February after accepting a position as Supervisory Board member at Deutsche Bahn AG. Upon our proposal, the Annual General Meeting elected Jörg Kukies as his successor. Mr Kukies is a State Secretary in Germany's Federal Ministry of Finance. He expands the Supervisory Board skills profile with his experience and expertise in financial markets, investment banking and EU policy. We therefore found suitable successors for Werner Gatzer and Roland Oetker, who, as members of key Supervisory Board committees, lent their expert knowledge and broad business perspective to advise the Board of Management for many years. After a long period of active service on the Supervisory Board, employee representative Rolf Bauermeister stepped down with effect from 15 July 2020. As at 28 August 2020, the court appointed Thorsten Kühn to replace him.

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

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 Chair 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 2019, and decided to continue to comply with all suggestions and recommendations in the new version dated 16 December 2019, which was published in the Federal Gazette on 20 March 2020. Further information regarding corporate governance within the company can be found in the **Annual Corporate Governance Statement.**

2020 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 2020, including the combined management report, and issued unqualified audit opinions. PwC also reviewed the half-yearly financial report and the non-financial statement without issuing any objections.

After prior examination 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 including the combined non-financial statement for the 2020 financial year, 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. The Supervisory Board concurred with the results of the audit and approved the annual and consolidated financial statements for the 2020 financial year, as recommended by the Finance and Audit Committee. No objections were raised on the basis of the final outcome of the examination by the Supervisory Board and the Finance and Audit Committee of the annual and consolidated financial statements, the combined management report including the combined non-financial statement, and the proposal for the appropriation of the net retained profit. The Supervisory Board endorsed the Board of Management's proposal for the appropriation of net retained profit and the payment of a dividend of €1.35 per share.

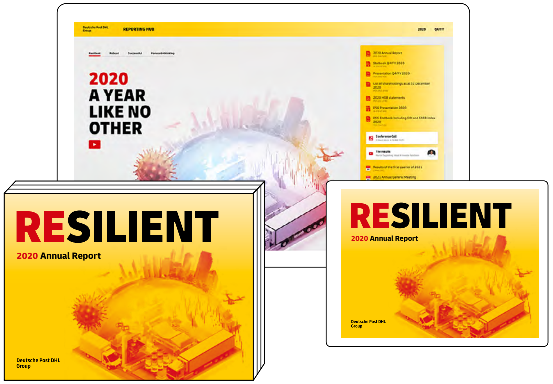
We would like to thank the members of the Board of Management and the employees of the company for their steadfast and effective support in the extraordinary past financial year.

Bonn, 8 March 2021
The Supervisory Board

Nikolaus von Bomhard
Chairman

REPORTING PRACTICE

This publication contains both financial and non-financial information about the results for the 2020 financial year. It was published on 9 March 2021 in German and English and is available **online,** as a **PDF** or **in print.** The report sections that are subject to publication requirements are published in the Federal Gazette *(Bundesanzeiger)*, in due consideration of the European Single Electronic Format (ESEF).



Financial reporting standards

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

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

Independent audit

The consolidated financial statements of Deutsche Post AG and its subsidiaries and the combined management report for the financial year from 1 January to 31 December 2020 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) in a reasonable assurance engagement, **Auditor's report.**

The contents of the combined non-financial statement were audited separately by PwC in a limited assurance engagement, **Practitioner's report.**

The contents of the **Corporate Governance Statement** pursuant to section 289f and 315d HGB have not been audited.

Forward-looking statements

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

Additional information

Refers to information contained elsewhere in the report.

Indicates a hyperlink to content available online that is not part of this report.

Translation

The English version of the 2020 Annual Report of Deutsche Post DHL Group constitutes a translation of the original German version. Only the German version is legally binding, insofar as this does not conflict with legal provisions in other countries. Deutsche Post Corporate Language Services at al.

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. 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 2020

Deutsche Post DHL Group

Corporate Functions			Divisions				
CEO, Global Business Services	**Finance**	**Human Resources, Corporate Incubations**	**Post & Parcel Germany**	**Express**	**Global Forwarding, Freight**	**Supply Chain**	**eCommerce Solutions**
Board member Frank Appel	**Board member** Melanie Kreis	**Board member** Thomas Ogilvie	**Board member** Tobias Meyer	**Board member** John Pearson	**Board member** Tim Scharwath	**Board member** Oscar de Bok	**Board member** Ken Allen
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.)	**Functions** • Corporate Accounting & Controlling • Investor Relations • Corporate Finance • Corporate Audit & Security • Taxes • Divisional Finance Organisations • Legal Services (including Compliance)	**Functions** • Corporate HR Germany • Employee Relations, Engagement, Compensation & Benefits • Corporate People Management & Platforms • HR for Group Functions • Divisional HR Organisations **Business unit** • Corporate Incubations	**Business units** • Post Germany • Parcel Germany • International	**Regions** • Europe • Americas • Asia Pacific • MEA (Middle East and Africa	**Business units** • Global Forwarding • Freight	**Regions** • EMEA (Europe, Middle East and Africa) • Americas • Asia Pacific	**Regions** • Americas • Europe • Asia **Function** • Customer Solutions & Innovation

Organisational changes

No material changes were made to the Group's organisational structure during the 2020 financial year.

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

A presence that spans the globe

Deutsche Post DHL Group's locations can be found in the list of shareholdings. The following table provides an overview of market volumes in key regions. Our market shares are detailed on the following pages.

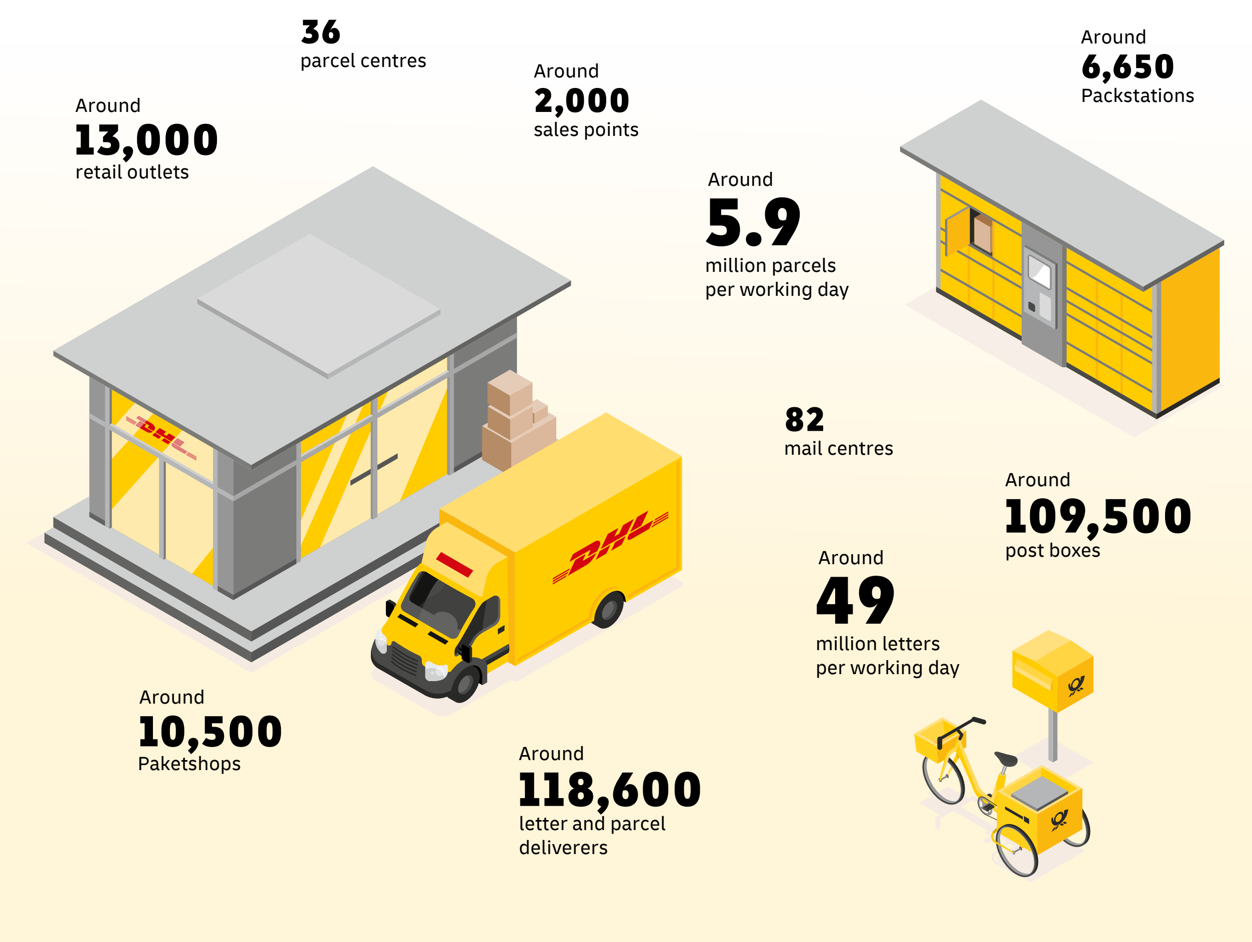
Relevant market volumes[1]

(2019)	Asia Pacific	Americas	Middle East/ Africa	Europe	Germany	Global
Air freight (m tonnes)[2]	10.4	5.1	1.5	6.4	–	**23.4**
Ocean freight (m TEUs)[3]	34.6	9.2	5.9	8.3	–	**58.0**
Contract logistics (€ bn)[4]	78.3	66.7	8.1	74.9	–	**227.9**
International express market (€ bn)[5]	8.0	8.2	–	7.1	–	**–**
Road transport (€ bn)[6]	–	–	–	207	–	**–**
Mail communication (€ bn)[7]	–	–	–	–	4.3	**–**
Advertising market (€ bn)[8]	–	–	–	–	23.8	**–**

[1] Regional volumes do not add up to global volumes due to rounding. [2] Data based solely on export freight tonnes. Source: Seabury Consulting. [3] Twenty-foot equivalent units; estimated part of overall market controlled by forwarders. Data based solely upon export freight tonnes. Source: company estimates, Seabury Consulting. [4] Based on target achievement. [5] In 2016. Includes express product Time Definite International. 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] Market volume covers 25 European countries, excluding bulk and specialties transport. Source: DHL Market Intelligence Study 2020, based upon company calculations and content supplied by IHS Markit Group, copyright® IHS Global Inc., 2020. All rights reserved. [7] In 2020. Business communication only. Source: company estimates. [8] In 2020. Includes all advertising media with external distribution costs. Source: company estimates.

POST & PARCEL GERMANY DIVISION

Nationwide transport and delivery network in Germany, 2020



Europe's largest postal company

As Europe's largest postal company, our workforce of some 118,600 mail couriers delivers around 49 million letters and 5.9 million parcels in Germany every working day via our nationwide transport and delivery network, as depicted in the graphic opposite.

The postal service for Germany

Our products and services in the mail communication segment are targeted towards both private and business customers and range from physical and hybrid letters to special products for 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 €4.3 billion (previous year: around €4.2 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. At 62.6% our market share remained stable compared with the prior year (62.2%).

German mail communication market, business customers, 2020

Market volume: around €4.3 billion

Deutsche Post	62.6%
Competition	37.4%

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 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 drop of 11.5% in 2020 to come in at €23.8 billion. Our share of this highly fragmented market declined to 7.1% (previous year: 7.5%).

German advertising market[1], 2020

Market volume: €23.8 billion

Competition	92.9%
Deutsche Post	7.1%

[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 expanded even further in the reporting year with a focus on Packstations. We plan to double the number of Packstations to 12,000 by 2023 to make it even easier for customers all over Germany to send and receive parcels and to create an environmentally friendly parcel delivery system that puts fewer vehicles on the road. Our portfolio of recipient services allows 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. Furthermore, registered customers can now have all items sent automatically to a Packstation or retail outlet of their choice. We support business customers in growing their online retail businesses and 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 begun offering solutions, with online retailers and marketplace operators organising delivery of a proportion of orders through their own delivery organisations.

Impacts of the pandemic
The COVID-19 pandemic has accelerated the structural transformation already underway in the mail delivery market. As letter mail volumes containing documents continue to decline, volumes of parcels containing merchandise are growing, in some cases substantially.

The dialogue marketing business was hard hit by the pandemic as businesses spent significantly less on advertising due to temporary retail sale closures.

The parcel market, by contrast, is registering strong, pandemic-related growth driven by the shift from retail sale businesses to online sales across all merchandise categories.

Comprehensive measures and regulations to reduce or avoid physical contact were put in place to protect employees, and these in turn had a direct impact on production processes. Shifts in inbound and outbound processing, for example, had to be adapted, as was the case in all other areas in mail and parcel centres where employees work together in close proximity. Delivery operations were subject to staggered starting times. This led, on the one hand, to delays in the processing of items and, in turn, to backlogs which partly resulted in transit time delays. But on the on the other hand, they prevented the need for operational closures and more extensive restrictions.

Fast and reliable delivery
According to surveys conducted by Quotas, a quality research institute, around 89% 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 2020. Around 98% reached their recipients within two days. This puts us well above the legally required levels of 80% (D+1) and 95% (D+2).

In the parcel business, around 80% of 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. These figures can be deemed very positive in light of the highly demanding operational situation caused by the pandemic.

Our approximately 25,500 sales points were open for an average of 55 hours per week in the year under review, as was the case in 2019. 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: 94.6% of customers were satisfied with our quality and service (previous year: 94.5%). In addition, customers gave our sales points an average rating of 4.39 out of 5 stars in the Deutsche Post location finder (previous year: 3.96). The fixed-location acceptance and sales network has grown to around 32,000 sites (previous year: 30,000) thanks to the expansion of our Packstation network.

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 111,000 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 prerequisite in ensuring fast and reliable, door-to-door service. We also provide industry-specific services to round out our TDI product. For example, our Medical Express transport solution, which is tailored specifically to customers in the Life Sciences & Healthcare sector, offers various types of thermal packaging for temperature-controlled, chilled and frozen contents.

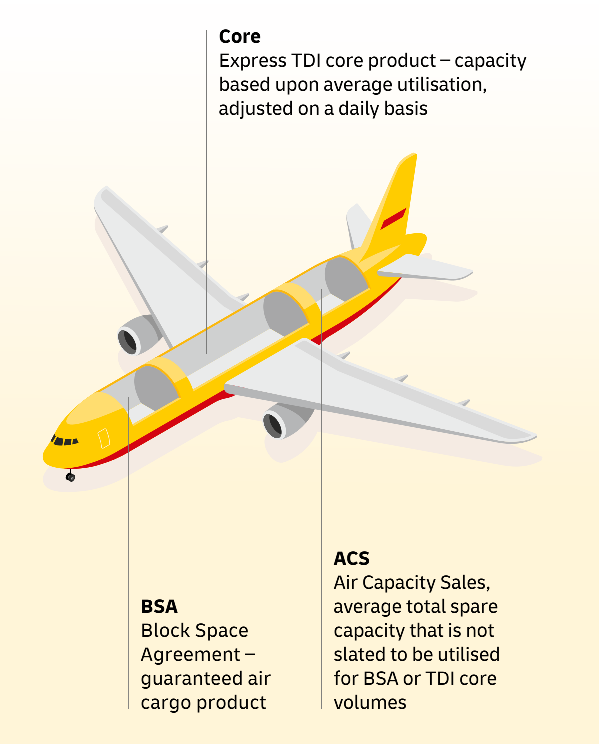
Our virtual airline

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 opposite graphic illustrates how our available freight capacity is organised and offered on the market. Most of the freight capacity is used for TDI, our main product. If any cargo space remains on our own flights, we sell it to customers in the air freight sector. The largest buyer of remaining capacity is the DHL Global Forwarding business unit.

Modernising our intercontinental fleet

In 2018, we contracted with Boeing to purchase 14 new 777F aircraft as part of upgrading our intercontinental fleet. By the end of 2020, ten of the new aircraft had been delivered and had entered service in our network. The remaining four aircraft are scheduled for delivery over the course of 2021. We have also ordered eight additional B777 freighters, the first of which have a planned delivery date of 2022.

Available capacity



Impact of the pandemic on our global network

Overall, the Express division has coped well with the COVID-19 pandemic, maintaining our service while giving top priority to the safety and well-being of our employees by shifting to mostly contactless delivery and by dispensing with signatures when delivering shipments processed on our B2C platform.

The pandemic seriously impacted passenger airlines. Many flights were cancelled and many aeroplanes grounded, curtailing our ability to purchase freight capacity on commercial flights. In order to minimise the impact on our operations, we adapted our air freight network to allow more of our own dedicated flights and to continue serving areas for which commercial flight capacity was not available. We also took the opportunity to introduce new direct dedicated services, for example between Brussels (BRU) and Miami (MIA), East Midlands (EMA) and Los Angeles (LAX), Hong Kong (HKG) and Sydney (SYD) via Guam (GUM), and Shenzhen (SZX) to European destinations. According to Eurostat, the statistical office of the European Union, DHL was the busiest operator in Europe in most weeks of April 2020.

The pandemic and pandemic-related restrictions have further accelerated online sales growth. In all regions, especially in the B2B and B2C e-commerce sectors, increases in shipping volumes significantly exceeded expectations.

Continuing to expand and modernise our European network

In the Europe region, we are reinforcing our network by steadily expanding our infrastructure and modernising our fleet. We committed to two Airbus A321 conversions, both of which will enter service from the start of 2021. We also introduced a resource-saving "green" flight from Leipzig (LEJ) to New York (JFK), whereby various fuel-saving options were identified in order to reduce CO_2e emissions. In London, we launched a new delivery service via Thames River boat to reduce inner city traffic.

Improving operating infrastructure in the Americas region

We continue to make major investments in operating infrastructure, for example in our new hub in Toronto, and we are investing in facilities, retail and service centres in the United States, Mexico and Colombia. Three converted Boeing 737-800 aircraft were put into service, and we also launched a dedicated flight from Los Angeles (LAX) to Sydney (SYD). The new flight connects to our South Asia hub in Singapore (SIN).

Additional investments in Asia

We acquired three A330-300 aircraft for conversion into freighters, two of which were put into service in our Asian network (with the third entering service in 2021). A new flight connecting Melbourne (MEL), Auckland (AKL) and Christchurch (CHC) was introduced in November 2020 to cater to increased trade between Australia and New Zealand. We also launched a service centre in Sydney in September. In November, we opened the Osaka Distribution Centre – our largest distribution facility in Japan.

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 2020. We were nonetheless able to maintain our operations whilst ensuring the safety of our employees. In April 2019, we launched the DHL Africa eShop as an online marketplace which connects more than 200 US and UK retailers with buyers in Africa. More than 100,000 users from 35 countries are active on the portal.

Keeping our customer promise

In order to keep our commitments to our customers as a global network operator, we monitor their ever-changing requirements, for example through our Insanely Customer Centric Culture programme and as part of the Net Promoter Approach. Our managers speak personally to customers in order to continuously translate criticism into improvements.

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

We conduct regular reviews of operational safety, compliance with standards and quality of service at our facilities in co-operation with government authorities. Approximately 370 locations, around 100 of which are in Asia, have been certified by the Transported Asset Protection Association (TAPA), making us a leader in this area.

GLOBAL FORWARDING, FREIGHT DIVISION

The air, ocean and overland freight forwarder

Our air, ocean and overland freight forwarding services include standardised transports as well as multimodal and sector-specific solutions, together with customised industrial projects, which our around 43,000 employees in over 150 countries deliver for more than 175,000 customers. Our business model is based upon brokering transport services between customers and freight carriers. The global reach of our network allows us to offer efficient routing and multimodal transport options. Compared with the Group's other divisions, our operating business model is asset-light.

Impacts of the pandemic

The global forwarding market also felt the effects of the COVID-19 pandemic in 2020, and suffered a considerable drop in volumes, whilst capacity shortages particularly in air freight caused freight rates to increase, at times considerably.

According to the International Air Transport Association (IATA), this resulted in a 10.6 % decrease in total freight tonne kilometres flown worldwide in the year under review.

The ocean freight market also registered a drop in volumes in 2020. A number of key distribution points experienced congestion and delays as freight carriers attempted to adjust capacity to match market demand and avoid major capacity surpluses.

The European road transport market also suffered as a result of the pandemic, with order volumes falling sharply, particularly in the first half of 2020. Figures increasingly recovered towards the end of the year thanks to the relaxation in COVID-19 regulations.

Market leadership maintained amidst volume declines
The pandemic was the main reason for the decline. We remained the market leader in 2019 with around 1.9 million tonnes of export air freight transported, as shown in the following graphic.

Air freight market, 2019: top 4

Thousands of tonnes[1]

DHL	1,872
Kuehne + Nagel	1,643
DB Schenker	1,186
DSV Panalpina	1,071

[1] Data based solely on export freight tonnes.
Source: Annual reports/other publications, company estimates.

Ocean freight market also reports volume declines
With around 3.2 million twenty-foot equivalent units transported, we remained the second-largest provider of ocean freight services in 2019, as shown in the following graphic.

Ocean freight market, 2019: top 4

Thousands of TEUs[1]

Kuehne + Nagel	4,861
DHL	3,207
DB Schenker	2,294
DSV Panalpina	1,907

[1] Twenty-foot equivalent units.
Source: Annual reports/other publications, company estimates.

European road transport market position further strengthened
In 2019, DHL was able to further strengthen its market position within the European road transport market in this fragmented and competitive environment.

Systematic collection of customer feedback
In the Global Forwarding business unit, we systematically record customer feedback by calculating Net Promotor scores and conducting annual surveys of customer satisfaction. The feedback collected during the reporting period indicated steady improvements in customer satisfaction at a high level. In addition, we improved our workflows to enable us to address the issues brought up by customers in a faster and more targeted manner.

In the Freight business unit, we sought feedback from our customers in more than thirty countries in 2020. Based upon the information received, we defined initiatives aimed at steadily improving our products and services. Going forward, we will receive customer feedback reports linked to specific cases on an even more regular basis. Digital sales channels such as Saloodo!, our freight quotation tool and our customer portal in Sweden help us reach new customer segments and increase efficiency. We now offer our premium Eurapid product as a sustainable solution whereby carbon offsets are offered for each customer shipment at no additional charge. We also made additional improvements to end-to-end service quality throughout our network.

SUPPLY CHAIN DIVISION

Customer-centric contract logistics solutions
As the world leader in the contract logistics market, our around 168,000 employees help us support more than 1,400 customers in managing their supply chains in over 50 countries. This is our profitable core business, and includes warehousing and transport as well as value-added services such as e-fulfilment, Lead Logistics Partner (LLP), Real Estate Solutions, Service Logistics and packaging solutions for strategic industrial sectors. We also develop innovative and sustainable solutions.

Using innovative technologies and digitalising the supply chain
In the interest of our customers, we are driving standardisation across our processes and tools. Innovative technologies, such as wearable devices and collaborative robotics, are being increasingly scaled across our operations to take us to the next level in efficiency. We are constantly striving to increase speed and agility along the entire supply chain through standardisation and the use of new technologies. In addition, we leverage data analytics to enhance the customer experience and forecast the success of new business.

To make us even more agile, we are deploying the technologies shown in the graphic opposite across all regions.

Leading position in contract logistics

The global contract logistics market is estimated at around €228 billion. DHL is the global market leader in contract logistics with a market share of 5.9% (2019) and operations in more than 50 countries.

Contract logistics market, 2019: top 10

Market volume: €227.9 billion

DHL	5.9%
XPO Logistics	2.4%
Kuehne + Nagel	2.2%
CEVA	1.7%
Hitachi Transport System	1.6%
UPS SCS	1.4%
DB Schenker	1.2%
SNCF Geodis	1.0%
Ryder	1.0%
DSV	0.8%

Source: company estimates; Transport Intelligence. Market share is presented on the basis of divisional revenue.

Impacts of the pandemic

Local lockdown measures in conjunction with global economic restrictions in certain sectors have had a significant impact on the contract logistics market in the year under review. We, too, were confronted with reduced volumes and compulsory temporary site closures, however, our main focus remained the protection of our employees.

Automation and digitalisation of the supply chain

Meeting or exceeding our customers' quality expectations

We continuously build upon our position as a quality leader in contract logistics. Our Operations Management System First Choice ensures that we either meet or exceed our customers' quality expectations and continuously improve. As part of our operations excellence programme, a service quality KPI routinely measures how well our locations meet specified customer requirements. The KPI for the reporting year was at a high level of 95.3%.

Thanks to our systematic follow-up on customer feedback, our scores for customer loyalty and satisfaction, which are calculated as part of our Net Promoter Approach, improved by another 14 percentage points in the year under review.

In addition, we are growing our share of sustainable solutions to meet increased customer demand.

ECOMMERCE SOLUTIONS DIVISION

Domestic and non-time-definite international parcel delivery

Our core business is domestic last-mile parcel delivery in selected countries in Europe, the US, India and selected Asian emerging markets, and non-TDI cross-border services primarily to, from and within Europe. Within the division, we employ a total of around 37,000 employees who delivered more than 1.1 billion parcels over the course of 2020.

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

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

Impacts of the pandemic

The pandemic and pandemic-related factors have reinforced trend towards online shopping. Across all regions, we have seen increases in shipping volumes that significantly exceeded expectations, especially in the B2C e-commerce sector.

We succeeded in providing continuous and reliable services for our customers across all regions despite the pandemic-related operational challenges and lockdown restrictions (e.g. in India and Spain), whilst focusing on the safety and well-being of our employees. We have adapted our operational and delivery processes and guidelines to ensure that pandemic protection measures, such as social distancing and contactless delivery, are complied with, both for our customers and employees.

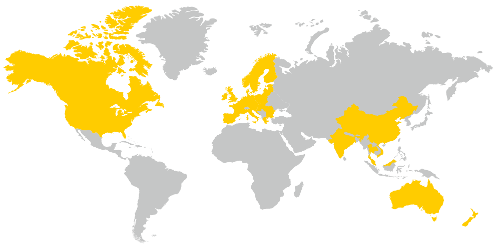
Satisfied customers and high level of delivery reliability

We focus on delivering industry-leading performance as well as quality and service excellence. Even against the background of pandemic operational challenges and volume increases, we succeeded in achieving an overall global on-time delivery quality of above 94%. In Europe, we were able to provide on-time delivery quality of 95% to our domestic service customers. Our on-time delivery quality for cross-border service in this region is 85%.

In the United States, our commitment to quality and reliability continues to win us new business. Our US domestic delivery reliability rate surpassed 94% in the year under review.

Despite the severe impact of the lockdown restrictions in India, we were able to achieve delivery reliability rate of 93%. Our overall domestic delivery reliability rate in the Asia Pacific region was 91% in 2020.

eCommerce Solutions' regions and services



Americas	Nationwide domestic delivery in the United States, and cross-border shipping from the United States and Canada
Europe	Domestic delivery in seven countries, and pan-European cross-border shipping via the DHL Parcel Connect platform
India (Blue Dart)	Nationwide domestic courier delivery and integrated express parcel distribution
Asia Pacific	Nationwide domestic and cross-border delivery in Thailand, Malaysia and Vietnam. Cross-border shipping from China, India, Australia and Singapore

Strategy

Our compass for safely navigating a volatile, fast-changing environment

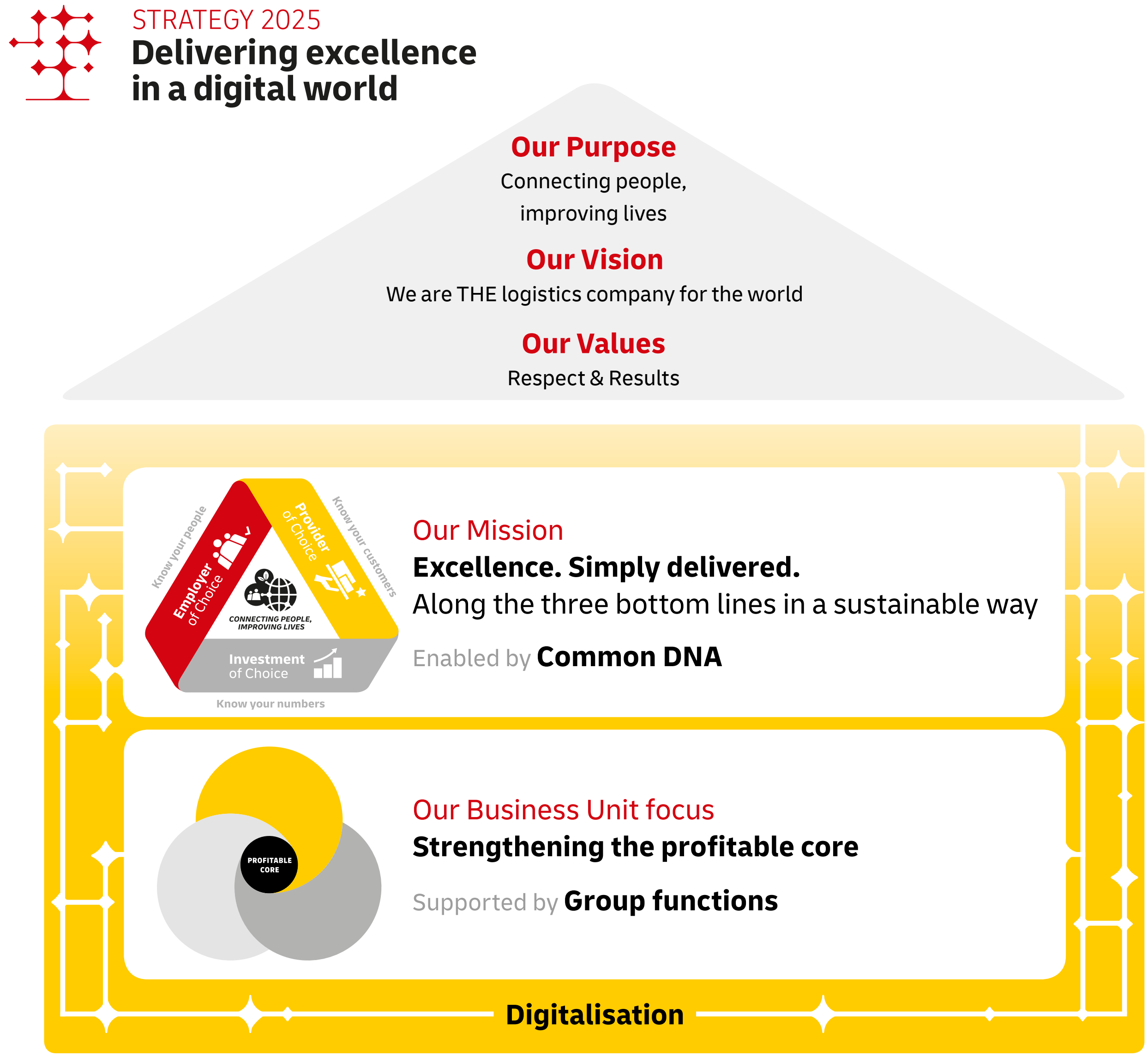
We announced our Strategy 2025 in October 2019. It draws on the successful elements of Strategy 2015 and 2020, which established us as the world's leading supplier of logistics services. Building on this strong foundation, Strategy 2025 can help us to cement and grow that leading position as the pace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

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

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

Strategic triad of purpose, vision and values

Our purpose of "Connecting people, improving lives" reflects our understanding of sustainability, and has never been more important than it is today. In keeping with our vision of being THE logistics company for the world, Deutsche Post DHL Group strives to continue leading the industry in an increasingly digital 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.



The triad of purpose, vision and values underpins the three building blocks of Strategy 2025 – sustained execution excellence along the three bottom lines, our aim of becoming employer, provider and investment of choice, a focus on our profitable core business and digital transformation.

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

At Deutsche Post DHL Group, when we speak of our common DNA we mean the beliefs and standards we share throughout the Group. Group-wide programmes such as Certified, First Choice and Safety First play a crucial role in building a common DNA by influencing what we do on a day-to-day basis. Irrespective of division, geographical region or function, our common DNA is an expression of who we are and how we do things at Deutsche Post DHL Group.

ESG roadmap to be released in the first quarter of 2021

Sustainability is an integral part of our strategy and is anchored in our mission along our three bottom lines. Our long-term business performance also depends on how successful we are in including sustainability in everything we do. Only by meeting our customers’ needs whilst minimising our Environmental (E) impact, increasing our contribution to Society (S) and acting as a role model for Governance (G) in all of the countries and territories around the world in which we operate can we continue to succeed as a profitable and sustainable organisation.

That’s why we adhere to ESG principles aimed at reducing our ecological footprint, creating a safe, inclusive and motivating workplace for our employees, and ensuring that our business practices are transparent and in compliance with the law, Non-financial statement.

We are in the process of reviewing our ESG roadmap, which we aim to release with further clear initiatives, objectives and targets in the first quarter of 2021. As a signatory to the United Nations Global Compact and a supporter of the United Nations Sustainable Development Goals (SDGs), we continue to integrate them in our strategy.

Divisions focus on profitable core business

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

Digital transformation as a key lever

Representing the biggest opportunity for gaining traction, digital transformation plays a crucial role in our strategy. That is why we are investing in initiatives designed to enhance both the customer experience and the employee experience, and to improve operational performance. We are upgrading our IT systems and incorporating new technologies with the aim of steadily improving our performance, our processes and our standards. Between now and 2025, our digital transformation spending is expected to reach around €2 billion and is projected to contribute at least €1.5 billion annually to earnings by 2025.

We take two parallel approaches to driving technical innovation. In our divisions, we have several initiatives and programmes in place to improve the IT backbone, ensure our future agility and increase IT efficiency. In our Centers of Excellence, we have combined technologies and expertise in the area of automation and data. They will also allow us to foster and develop in-house know-how and make it available across the divisions.

Management

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

EBIT and EAC (EBIT after asset charge)
The profitability of the Group's operating areas is measured as profit from operating activities (EBIT).

EBIT after asset charge (EAC) is another key performance indicator used by the Group. EAC is calculated by subtracting the asset charge, a cost of capital component, from EBIT. Making the asset charge a part of business decisions encourages the efficient use of resources and ensures that our 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 the asset charge with previous figures, in 2020 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 Calculations graphic shows the composition of the Group's net asset base.

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

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

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

Dedicated employees contribute to our success
Our annual worldwide Employee Opinion Survey, whose results from the reporting year are presented in Employees, shows us how we are perceived as a Group from the perspective of our employees. We added employee engagement to our performance indicators in 2020 and include it in the calculation of executive bonuses.

Reducing greenhouse gases lowers negative impacts on the environment
We aim to reduce our dependency on fossil fuels, improve our greenhouse gas 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. 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 Environment section.

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.

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.

REPORT ON ECONOMIC POSITION

Overall assessment

The 2020 financial year was shaped by the COVID-19 pandemic, which impacted our divisions' business differently. Strong growth in volumes, especially B2C volumes, led to clear revenue increases at Post & Parcel Germany, Express and eCommerce Solutions. At Global Forwarding, Freight revenue rose despite a volume decline due to the higher freight rates associated with shortages of capacity. By contrast, global economic restrictions in certain sectors serviced by the Supply Chain division resulted in significant revenue losses and a decline in earnings to below the prior-year level. In total, Group EBIT came to €4.8 billion, meaning that we actually exceeded the most recently projected earnings corridor of €4.1 billion to €4.4 billion by a wide margin. The Group's cash position is rock solid with investments of €3.0 billion and free cash flow of €2.5 billion in the reporting year. Deutsche Post DHL Group has emerged from 2020 stronger than before and regards itself as well positioned to benefit from the sustained e-commerce boom.

Forecast/actual comparison

Forecast/actual comparison

Targets for 2020	Results for 2020	Targets for 2021
EBIT[1]	**EBIT**	**EBIT**
• Group: €4.1 billion to €4.4 billion • Post & Parcel Germany division: approx. €1.5 billion • DHL divisions: €3.3 billion to €3.6 billion • Corporate Functions: around €–0.7 billion (including around €–350 million for StreetScooter)	• Group: €4.8 billion • Post & Parcel Germany division: €1.6 billion • DHL divisions: €3.9 billion • Corporate Functions: €–0.7 billion (including €–318 million for StreetScooter)	• Group: more than €5.6 billion • Post & Parcel Germany division: around €1.6 billion • DHL divisions: around €4.5 billion • Group Functions[2]: around €–0.4 billion
EAC	**EAC**	**EAC**
• EAC projected to increase in line with EBIT	• EAC rose to €2.2 billion in line with EBIT	• EAC projected to increase in line with EBIT
Cash flows[1]	**Cash flows**	**Cash flows**
• Free cash flow to exceed €2.0 billion	• Free cash flow reached €2.5 billion	• Free cash flow of around €2.3 billion
Capital expenditure (capex)[1]	**Capital expenditure (capex)**	**Capital expenditure (capex)**
• Investment spending (excluding leases): around €2.9 billion	• Capital expenditure (excluding leases): €3.0 billion	• Investment spending (excluding leases): approx. €3.4 billion
Dividend distribution	**Dividend distribution**	**Dividend distribution**
• Dividend payout of 40% to 60% of net profit	• To be proposed: dividend payout of 48.9% of adjusted net profit	• Dividend payout of 40% to 60% of net profit
Employee Opinion Survey	**Employee Opinion Survey**	**Employee Opinion Survey**
• Employee Engagement approval rate of 78%	• Employee Engagement approval rate of 82%	• Employee Engagement approval rate of more than 80%
Greenhouse gas efficiency	**Greenhouse gas efficiency**	**Greenhouse gas efficiency**
• CEX projected to increase by one index point	• CEX up by two index points to 37 index points	• CEX projected to increase by one index point • KPI and targets will be reviewed as part of the ESG roadmap[3]

[1] Forecast adjusted during the year. [2] Previously Corporate Functions, Business model. [3] Strategy.

Economic parameters

Global economy affected by COVID-19 pandemic

In 2020, the COVID-19 pandemic led to a collapse of the global economy even more dramatic than the one following the financial crisis of 2009. To combat the pandemic, governments worldwide took far-reaching steps to limit contacts. The lockdowns they enacted took a toll on economic activity, in some cases a considerable one.

The first wave of the pandemic peaked in the spring. The second wave, which hit in autumn, was much worse in many countries and is still ongoing. Average annual gross domestic product (GDP) fell approximately 5.0% in the industrial countries, and even the high-growth emerging markets saw a decline of around 2.0% on average for the year. Global economic output, which had been rising by an average of 3.1% per year for the past decade, fell 3.9% in the year under review. The IMF's World Economic Outlook for October forecast even a decline of 9.6% in world trade volume in US dollars based on an assumption of constant real effective exchange rates.

Political volatility in the United States was another detrimental factor, as were the lengthy trade negotiations between the EU and the United Kingdom after Brexit finally went into effect.

Led by China, Asia recovered fastest from the pandemic, thanks in part to strict lockdown measures and experience with previous coronavirus epidemics. China only suffered a decline in GDP in the first quarter of 2020, with average growth for the year coming in at approximately 2.0% (previous year: 6.1%). This is all the more remarkable in light of the ongoing disruptive trade conflict with the United States. Japan's economy shrank by approximately 5.4%. However, since the Japanese economy was nearly stagnant in 2019, the impact of the pandemic on Japan was only moderately stronger than on China in the reporting year.

In the United States, a 3.6% decline in GDP in 2020 contrasted with growth of 2.2% in 2019. The fact that the growth shock was not worse than it was, given the higher average rates of infection and mortality, is due to the looser lockdown measures imposed by the authorities in the United States compared with Europe. This could negatively impact the speed at which the economy recovers following the pandemic.

The decline in economic output was even greater in the eurozone, where GDP plummeted from +1.3% in 2019 to –7.1% in the reporting period. The decline is directly linked to drastic social distancing restrictions that included widespread closures of shops and prohibited services and lockdowns lasting for weeks in some cases. These restrictions were only sustainable thanks to massive government public relief programmes, including subsidies for short-time work.

The German economy performed similarly to the eurozone as a whole, albeit with less severe downturns in the second and third quarters owing to the initially lower rates of infection and extensive government support initiatives. Thanks to the option of putting employees on short-time work, the unemployment rate only rose from 5.0% at the end of 2019 to 6.0% at the end of 2020. Private consumption fell by nearly 4.0% in the third quarter of 2020 compared with the prior year. However, the high savings rate – most recently estimated at 16.2% – promises growth potential once the pandemic is over. The decline in capital spending was surprisingly moderate, which speaks to a certain level of fundamental optimism amongst businesses. The projected decline in GDP of 5.0% (not calendar-adjusted) will be far less than in the other major EU countries of France, Italy and Spain.

Price of oil recovers as the year progresses

The price of Brent crude oil dropped by nearly half to approximately US$30 per barrel in the first quarter of 2020 as the pandemic was just getting underway. Since May, however, oil prices have been gradually rising and were back up over US$50 per barrel by the end of the year. Global demand is likely to pick up again as soon as enough vaccinations have been given to permit an easing of social distancing restrictions.

Euro moves up after a weak phase

The European Central Bank (ECB) continued to pursue an extremely expansionary monetary policy in 2020. The ECB announced that it will be conducting additional net asset purchases as part of its Pandemic Emergency Purchase Programme (PEPP) until March 2022 and will extend the Asset Purchase Proramme (APP) by €20 billion per month, likely until shortly before the key interest rate increases again. As such it is highly probable that the key interest rate will remain at 0.00% for several more years. The euro nonetheless gained ground in 2020. Especially its recovery against the US dollar was due, amongst other things, to the US Federal Reserve's change in strategy announced in August, whereby inflation rates of above 2% will be tolerated as long as compensatory measures are taken whenever inflation undershoots the target for a time. This strategy lowers interest rate risk and thus potential support for the US dollar.

Some government bond yields dip even lower

A tentative rebound in yields on ten-year German government bonds at the end of 2019 was wiped out by the pandemic and the dramatic drop in ten-year US treasuries from 2.14% in 2019 to 0.89% in 2020. However, the renewed dip in ten-year German yields to –0.50% went hand in hand with lower risk premiums in eurozone bond markets.

Trade volumes: average annual growth rate, 2019 to 2020

% Export / Import	Asia Pacific	Europe	Latin America	MEA (Middle East and Africa)	North America
Asia Pacific	–1.2	–5.5	–7.5	–0.7	–0.9
Europe	–3.7	0.3	–11.8	–4.6	–5.3
Latin America	3.7	–1.2	–8.9	2.3	0.8
MEA (Middle East and Africa)	–7.1	–4.6	4.2	4.1	1.4
North America	–3.5	–11.5	–10.7	–6.1	10.8

Source: Seabury Consulting, as at 11 January 2021; 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.

As bond yields were falling, stock markets had already recovered from the pandemic shock by April 2020, and in some cases had surpassed their January levels by year-end. The German DAX ended the year at 13,719 points, a year-on-year increase of 3.5%. The increase reflects expectations of a strong upswing from mid-2021 once large swaths of the population have been vaccinated. The EURO STOXX 50 was down 5.1%, and the STOXX Sustainability Index registered growth of 12.7%. In the United States, the S&P 500 ended the year up 16.3%.

Trade volumes decline due to pandemic

The global trade movements of relevance to us – air and ocean freight sent in containers, excluding liquids and bulk goods – declined by 2.8% in the year under review (previous year: +0.6%). The decrease was less than expected given the impact of the pandemic. The fall in demand caused by the pandemic led to a drop of 11.1% in air freight volumes. Ocean freight tonnes declined by 2.7%.

Legal environment

In view of our leading market position, many of our services are subject to sector-specific regulation under *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

At the end of February, the Board of Management decided to refocus StreetScooter upon operating its existing fleet and to discontinue its own production of the electric delivery vehicles in the midterm. Total charges came to €318 million in the reporting year.

In May, we issued three bonds with varying maturities and an aggregate principal amount of €2.25 billion.

In recognition of their achievements during the pandemic, we paid our employees a special bonus of €300 each in the third quarter of 2020. This resulted in additional staff costs of €163 million.

Results of operations

Portfolio unchanged

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

Consolidated revenue up 5.5%

In financial year 2020, consolidated revenue rose by €3,465 million to €66,806 million, although currency effects reduced it by €1,615 million. The proportion of revenue generated abroad increased from 69.9% to 70.3%. Revenue for the fourth quarter of 2020 was up by 12.7% to €19,116 million, and was also adversely affected by currency effects of €768 million.

Other operating income declined by €256 million to €2,095 million in the reporting year. In the previous year, this item included income of €439 million from the sale of our Supply Chain business in China.

Revenue, 2020

€m

66,806

2019	Change
63,341	+5.5%

Selected indicators for results of operations

		2019	2020	Q4 2019	Q4 2020
Revenue	€m	63,341	66,806	16,956	19,116
Profit from operating activities (EBIT)	€m	4,128	4,847	1,258	1,966
Return on sales[1]	%	6.5	7.3	7.4	10.3
EBIT after asset charge (EAC)	€m	1,509	2,199	595	1,310
Consolidated net profit for the period[2]	€m	2,623	2,979	858	1,302
Earnings per share[3]	€	2.13	2.41	0.70	1.05
Dividend per share	€	1.15	1.35[4]	–	–

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

Increase in materials expense

Primarily higher transport costs, especially in the Express division, increased materials expense from €32,070 million to €33,794 million. At €22,234 million, staff costs exceeded the prior-year figure by €624 million for reasons including the special bonus we paid our employees. Depreciation, amortisation and impairment losses grew by €146 million to €3,830 million partly due to pandemic-related impairment losses necessary in the Supply Chain division, see note 15 to the consolidated financial statements. At €4,454 million, other operating expenses remained at the prior-year level (€4,431 million).

Consolidated EBIT improves by 17.4%

In the year under review, consolidated EBIT stood at €4,847 million, a considerable €719 million over the previous year's level (€4,128 million). In the fourth quarter, the increase was even larger, by 56.3% to €1,966 million. At €–676 million, net finance costs were on a level with the previous year (€–654 million). A foreign currency loss was offset by lower interest expenses. Profit before income taxes rose by €697 million to €4,171 million. Income tax expense increased by €297 million to €995 million also due to a slightly higher tax rate.

EBIT, 2020
€m
4,847

2019	Change
4,128	+17.4%

Sharp improvement in consolidated net profit

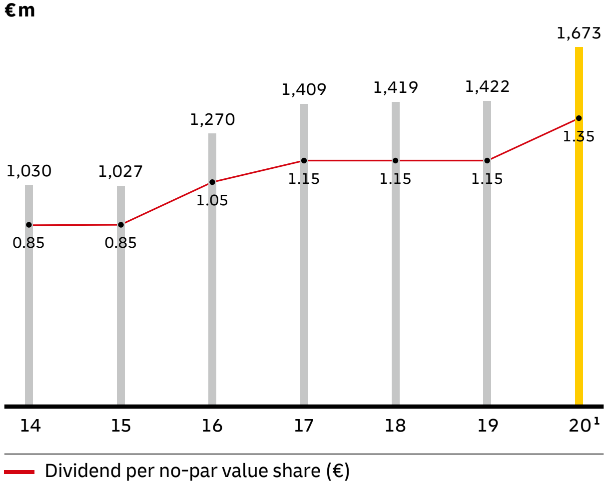
Consolidated net profit showed a sharp improvement in 2020, rising from €2,776 million to €3,176 million. Of this amount, €2,979 million is attributable to Deutsche Post AG shareholders and €197 million to non-controlling interest shareholders. Basic earnings per share also rose from €2.13 to €2.41 and diluted earnings per share from €2.09 to €2.36.

Proposed dividend: €1.35 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 €1.35 per share for financial year 2020 to shareholders at the Annual General Meeting on 6 May 2021 (previous year: €1.15). The payout ratio in relation to consolidated net profit adjusted for significant one-off effects amounts to 48.9%. In relation to the consolidated net profit attributable to Deutsche Post AG shareholders, the payout ratio amounts to 56.2%. The net dividend yield based on the year-end closing price for our shares is 3.3%. The dividend will be distributed on 11 May 2021.

Total dividend and dividend per no-par value share

€m



[1] Proposal.

EBIT after asset charge (EAC) grows significantly

EAC improved significantly in 2020, rising from €1,509 million to €2,199 million. Whilst EBIT was up considerably, the imputed asset charge rose only moderately.

EBIT after asset charge (EAC)

€m

	2019	2020	+/–%
EBIT	4,128	4,847	17.4
− Asset charge	–2,619	–2,648	–1.1
= **EAC**	**1,509**	**2,199**	**45.7**

The net asset base increased by €452 million to €30,936 million as at the reporting date. Intangible assets and property, plant and equipment increased, mainly on account of the acquisition of freight aircraft and investments in warehouses, sorting facilities and the vehicle fleet. Net working capital also rose over the previous year.

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

Net asset base (consolidated)[1]

€m

	31 Dec. 2019	31 Dec. 2020	+/–%
Intangible assets and property, plant and equipment	33,285	33,673	1.2
± Net working capital	–818	–505	38.3
− Operating provisions (excluding provisions for pensions and similar obligations)	–2,036	–2,267	–11.3
± Other non-current assets and liabilities	53	35	–34.0
= **Net asset base**	**30,484**	**30,936**	**1.5**

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

Financial position

Selected cash flow indicators

€m	2019	2020	Q4 2019	Q4 2020
Cash and cash equivalents as at 31 December	2,862	4,482	2,862	4,482
Change in cash and cash equivalents	–203	1,809	654	233
Net cash from operating activities	6,049	7,699	2,663	2,918
Net cash used in investing activities	–2,140	–3,640	–1,095	–1,672
Net cash used in financing activities	–4,112	–2,250	–914	–1,013

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 buy-back 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

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 the strategy is a target rating of "BBB+" as well as a sustained dividend policy and clear priorities regarding the use of excess liquidity.

FFO to debt

€m	2019	2020
Operating cash flow before changes in working capital	6,045	8,103
+ Interest received	82	67
– Interest paid	608	556
+ Adjustment for pensions	190	97
= Funds from operations, FFO	**5,709**	**7,711**
Reported financial liabilities	16,974	19,098
– Financial liabilities at fair value through profit or loss	23	54
+ Adjustment for pensions	4,872	5,826
– Surplus cash and near-cash investments[1]	1,916	4,350
= Debt	**19,907**	**20,520**
FFO to debt (%)	**28.7**	**37.6**

[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 increase in the year under review because funds from operations rose whilst debt remained almost stable.

Funds from operations were up by €2,002 million to €7,711 million, mainly on account of a positive change in operating cash flow before changes in working capital. The adjustment for pensions decreased, chiefly due to lower pension payments from plan assets and lower interest expenses.

Debt rose by €613 million year-on-year to €20,520 million. Reported financial liabilities increased, mainly on account of three new bonds totalling €2.25 billion and higher lease liabilities. Conversely, one bond and one promissory note loan were repaid in the amount of €385 million in 2020. The adjustment for pensions rose, since pension obligations increased faster than plan assets. Surplus cash and near-cash investments increased due to positive free cash flow of €2,535 million and the cash inflow from the issuance of bonds. This item was reduced by dividends paid, repayment of a bond and a promissory note loan, as well as negative currency effects.

Cash and liquidity managed centrally

The cash and liquidity of our globally operating subsidiaries is managed centrally by Corporate Treasury. Approximately 86% 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 by one year in the year under review and now runs until 2025. 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.

In the reporting period, three bonds totalling €2.25 billion were issued, and one bond and one promissory note loan were repaid in the amount of €0.3 billion and €0.1 billion, respectively. 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 Creditor relations.

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

– Rating factors

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

Moody's Investors Service

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

+ Rating factors

- Large scale and strong business profile, supported by global leadership positions in Express and Logistics and large German mail business
- Support that is built into the rating because of the German government's indirect shareholding and the importance of the company's services to the German economy
- Solid financial profile

– Rating factors

- Challenges in the domestic postal division resulting from the structural decline in traditional mail business
- Exposure to highly competitive mature markets and volatile market conditions in the logistics business
- Increasing capital spending, which hamper cash generation

Liquidity and sources of funds

As at the reporting date, the Group had cash and cash equivalents in the amount of €4.5 billion (previous year: €2.9 billion) at its disposal. The centrally available cash is either invested on the money and capital markets in the short term or deposited in existing bank accounts. These central, short-term financial investments had a volume of €3.9 billion as at the reporting date (previous year: €1.5 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	2019	2020
Lease liabilities	10,301	10,459
Bonds	5,467	7,410
Amounts due to banks	468	479
Promissory note loans	235	150
Financial liabilities at fair value through profit or loss	23	54
Other financial liabilities	480	546
	16,974	**19,098**

Drop in capital expenditure for assets acquired

Investments in property, plant and equipment and intangible assets acquired (excluding goodwill) amounted to €2,999 million in the year under review (previous year: €3,617 million). A breakdown of capex into asset classes and regions is presented in note 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 adjusted[1]		eCommerce Solutions		Corporate Functions		Consolidation adjusted[1,2]		Group	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Capex (€m) relating to assets acquired	468	590	2,080	1,428	114	104	324	351	132	141	502	385	–3	0	**3,617**	**2,999**
Capex (€m) relating to leased assets	28	14	940	974	159	207	702	973	126	143	772	448	0	0	**2,727**	**2,759**
Total (€m)	**496**	**604**	**3,020**	**2,402**	**273**	**311**	**1,026**	**1,324**	**258**	**284**	**1,274**	**833**	**–3**	**0**	**6,344**	**5,758**
Depreciation, amortisation and impairment losses (€m)	339	329	1,314	1,383	254	246	901	920	213	169	663	784	0	–1	**3,684**	**3,830**
Ratio of total capex to depreciation, amortisation and impairment losses	1.46	1.84	2.30	1.74	1.07	1.26	1.14	1.44	1.21	1.68	1.92	1.06	–	–	**1.72**	**1.50**

[1] Prior-period amounts adjusted, 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 adjusted[1]		eCommerce Solutions		Corporate Functions		Consolidation adjusted[1,2]		Group	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Capex (€m) relating to assets acquired	184	260	557	737	41	41	92	99	52	79	120	165	–1	0	**1,045**	**1,381**
Capex (€m) relating to leased assets	2	2	216	259	54	74	280	289	42	39	150	151	0	0	**744**	**814**
Total (€m)	**186**	**262**	**773**	**996**	**95**	**115**	**372**	**388**	**94**	**118**	**270**	**316**	**–1**	**0**	**1,789**	**2,195**
Depreciation, amortisation and impairment losses (€m)	115	89	345	355	65	60	217	228	54	43	169	190	1	0	**966**	**965**
Ratio of total capex to depreciation, amortisation and impairment losses	1.62	2.94	2.24	2.81	1.46	1.92	1.71	1.70	1.74	2.74	1.60	1.66	–	–	**1.85**	**2.27**

[1] Prior-period amounts adjusted, 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. The acquisition and development of property were stepped up in the year under review. Another key focus was expanding Packstations.

Investments in the Express division related to buildings and technical equipment. Capital spending also focussed upon continuous maintenance and renewal of the Express intercontinental aircraft fleet: Six new 777F cargo planes were put into service in 2020.

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

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

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

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

Higher operating cash flow

Net cash from operating activities improved from €6,049 million to €7,699 million. Based upon EBIT, which at €4,847 million was well over the prior-year figure (€4,128 million), all non-cash income and expense items were adjusted. In the previous year, payments resulting from the sale of the Supply Chain business in China were shown in net cash from/used in investing activities. The change in provisions was from €–506 million to €73 million. In the previous year, we had mainly used provisions due to the early retirement programme in the Post & Parcel Germany division or reclassified them as liabilities. In the reporting period, the change in working capital resulted in a cash outflow of €404 million compared with a cash inflow of €4 million in the previous year. This was attributable, amongst other things, to the increase in trade receivables on account of the growth in business volume.

Net cash used in investing activities increased significantly from €2,140 million to €3,640 million. Investments in property, plant and equipment and intangible assets declined by €690 million to €2,922 million: in the previous year, €1.1 billion was paid to modernise the Express intercontinental aircraft fleet; €321 million was paid for this purpose in the reporting period. The previous year's figures included net proceeds from the sale of the Supply Chain business in China amounting to €653 million. The change in short-term financial investments led to an operating cash inflow of €527 million in the prior year, while the year under review saw outflows of €933 million.

Calculation of free cash flow

€m	2019	2020	Q4 2019	Q4 2020
Net cash from operating activities	**6,049**	**7,699**	**2,663**	**2,918**
Sale of property, plant and equipment and intangible assets	138	122	34	38
Acquisition of property, plant and equipment and intangible assets	–3,612	–2,922	–933	–1,259
Cash outflow from change in property, plant and equipment and intangible assets	**–3,474**	**–2,800**	**–899**	**–1,221**
Disposals of subsidiaries and other business units	702	5	24	1
Disposals of investments accounted for using the equity method and other investments	0	0	0	0
Acquisition of subsidiaries and other business units	–14	0	0	0
Acquisition of investments accounted for using the equity method and other investments	–8	–13	0	0
Cash inflow/outflow from acquisitions/divestitures	**680**	**–8**	**24**	**1**
Proceeds from lease receivables	32	27	13	10
Repayment of lease liabilities	–1,894	–1,894	–476	–478
Interest on lease liabilities	–416	–394	–106	–96
Cash outflow for leases	**–2,278**	**–2,261**	**–569**	**–564**
Interest received	82	67	23	16
Interest paid (without leasing)	–192	–162	–79	–75
Net interest paid	**–110**	**–95**	**–56**	**–59**
Free cash flow	**867**	**2,535**	**1,163**	**1,075**

Free cash flow improved substantially from €867 million to €2,535 million.

At €2,250 million, net cash used in financing activities was well below the prior-year figure (€4,112 million). The bonds issued in May 2020 led to a cash inflow of €2.2 billion.

Cash and cash equivalents rose from €2,862 million as at 31 December 2019 to €4,482 million.

Net assets

Selected indicators for net assets

		31 Dec. 2019	31 Dec. 2020
Equity ratio	%	27.6	25.5
Net debt	€m	13,367	12,928
Net interest cover		7.8	9.9
Net gearing	%	48.2	47.9

Consolidated total assets up sharply

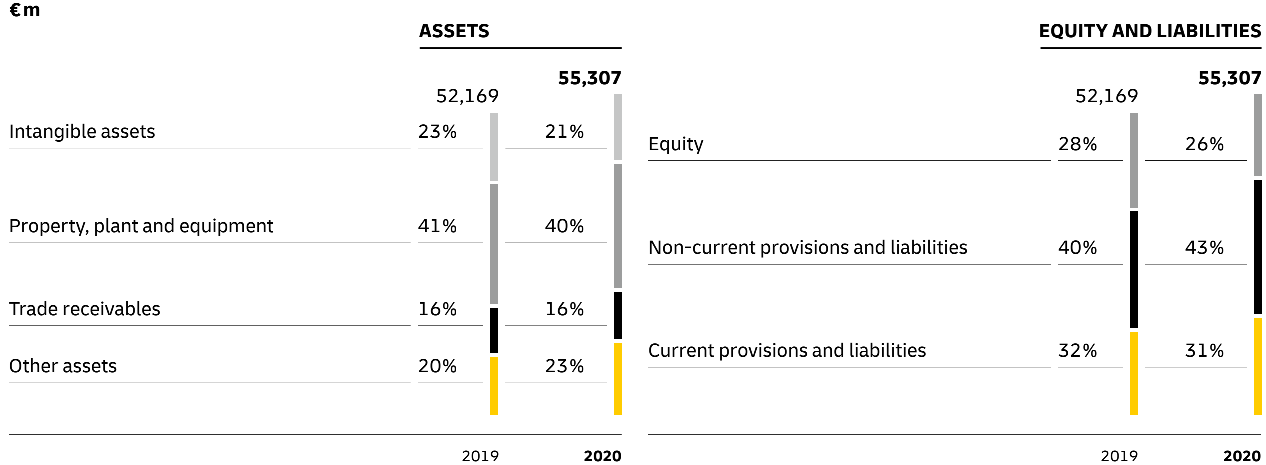
The Group's total assets amounted to €55,307 million as at 31 December 2020, €3,138 million higher than at 31 December 2019 (€52,169 million).

Intangible assets dropped from €11,987 million to €11,658 million, primarily because negative currency effects decreased goodwill. In contrast, property, plant and equipment was up substantially from €21,303 million to €22,007 million due to investment activity exceeding disposals, negative currency effects and depreciation and impairment losses. However, other non-current assets were down by €235 million to €160 million on account of actuarial losses that reduced pension assets. Our purchase of money market funds sharply increased current financial assets from €394 million to €1,315 million. Trade receivables rose by €424 million to €8,985 million. Cash and cash equivalents grew by €1.6 billion to €4,482 million.

At €13,777 million, equity attributable to Deutsche Post AG shareholders was lower than at 31 December 2019 (€14,117 million). Consolidated net profit for the period increased this figure, whilst actuarial losses from pension obligations, the dividend distribution and currency effects decreased it. Lower interest rates resulted in a sharp increase in provisions for pensions and similar obligations by €733 million to €5,835 million. Financial liabilities rose considerably from €16,974 million to €19,098 million, primarily because we issued three bonds with a total volume of €2.25 billion. Other current liabilities increased by €222 million to €5,135 million, for reasons including an increase in employee-related liabilities.

Balance sheet structure of the Group as at 31 December

€m



Net debt drops to €12,928 million

Our net debt declined from €13,367 million as at 31 December 2019 to €12,928 million as at 31 December 2020, as the growth of financial assets outpaced financial liabilities. At 25.5%, the equity ratio was lower than at 31 December 2019 (27.6%). At 9.9, net interest cover was up on the previous year's level (7.8). Net gearing was 47.9% as at 31 December 2020.

Net debt

€m

	31 Dec. 2019	31 Dec. 2020
Non-current financial liabilities	13,708	15,833
+ Current financial liabilities	2,916	2,893
= **Financial liabilities**[1]	**16,624**	**18,726**
– Cash and cash equivalents	2,862	4,482
– Current financial assets	394	1,315
– Positive fair value of non-current financial derivatives[2]	1	1
= **Financial assets**	**3,257**	**5,798**
Net debt	**13,367**	**12,928**

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

Divisions

POST & PARCEL GERMANY DIVISION

Key figures, Post & Parcel Germany

€m

	2019 adjusted[1]	2020	+/–%	Q4 2019 adjusted[1]	Q4 2020	+/–%
Revenue	15,400	16,455	6.9	4,269	4,801	12.5
of which Post Germany	8,203	8,030	–2.1	2,204	2,211	0.3
Parcel Germany	4,854	5,915	21.9	1,411	1,839	30.3
International	2,201	2,397	8.9	607	726	19.6
Other/Consolidation	142	113	–20.4	47	25	–46.8
Profit from operating activities (EBIT)	1,230	1,592	29.4	522	674	29.1
Return on sales (%)[2]	8.0	9.7	–	12.2	14.0	–
Operating cash flow	1,130	1,703	50.7	655	695	6.1

[1] Reported figures adjusted to reflect new product structure and reclassifications, note 9 to the consolidated financial statements.
[2] EBIT/revenue.

Revenue surpasses prior-year level

Division revenue was up 6.9% year-on-year to €16,455 million in the reporting year. The increase was driven in particular by growth in the German parcel business, supported by additional 3.7 working days compared with the prior-year period. Revenue for the fourth quarter of 2020 was up 12.5% versus the prior year.

Since the first quarter of 2020, revenue from transporting documents and goods across Germany's borders has been presented as International revenue.

Varying business unit performance

Mail Communication volumes nearly reached the prior-year level despite the general market decline, which was compensated by the transfer of non-promotional bulk mail from Dialogue Marketing to Mail Communication in combination with greater demand from retail customers. Revenue improved due to follow-on effects from the postage rate increase effective as of 1 July 2019.

In contrast, Dialogue Marketing registered significant declines in both addressed and unaddressed mail. The downturn was attributable to pandemic-related revenue losses and cuts in advertising budgets.

The German parcel business saw moderate growth in volumes until the end of March, as expected. Starting at the end of March, year-on-year volumes began increasing sharply in the wake of the pandemic-related restrictions imposed in the middle of March by the German government, particularly on retail sale. Volumes continued growing until the end of June, even after retail businesses gradually began reopening. Another volume surge was seen at the end of the year when Germany went back into lockdown. Supported by rate increases, revenue rose by 21.9% in the year under review.

Imports shipped as letter mail were heavily impacted by declining volumes coming from China during the reporting year, although significant decreases from Europe were also recorded due to pandemic-related restrictions. By contrast, imports shipped as parcels recorded significant growth over the course of the year. Trends varied as regards exports of goods and documents to Europe and the rest of the world. The decline in document exports accelerated further, whereas the number of shipments containing merchandise increased beyond the level achieved in Germany, especially in our European target markets.

Significant EBIT improvement over prior year

Division EBIT improved 29.4% in 2020 to €1,592 million. The increase was predominantly attributable to higher parcel revenues, the postage rate increase effective as of 1 July 2019 and strict cost management. By contrast, we registered revenue losses in other areas such as Dialogue Marketing. The EBIT figure includes the special bonus payment to employees totalling €51 million. Division EBIT in the fourth quarter of 2020 amounted to €674 million, an improvement of 29.1%.

Post & Parcel Germany: revenue

€m

	2019 adjusted[1]	2020	+/–%	Q4 2019 adjusted[1]	Q4 2020	+/–%
Post Germany	8,203	8,030	–2.1	2,204	2,211	0.3
of which Mail Communication	5,287	5,525	4.5	1,428	1,519	6.4
Dialogue Marketing	2,130	1,804	–15.3	572	507	–11.4
Other/Consolidation (Post Germany)	786	701	–10.8	204	185	–9.3
Parcel Germany	4,854	5,915	21.9	1,411	1,839	30.3

[1] Reported figures adjusted to reflect new product structure and reclassifications.

Post & Parcel Germany: volumes

Mail items (millions)

	2019 adjusted[1]	2020	+/–%	Q4 2019 adjusted[1]	Q4 2020	+/–%
Post Germany	15,908	14,260	–10.4	4,226	3,889	–8.0
of which Mail Communication	6,442	6,420	–0.3	1,674	1,753	4.7
Dialogue Marketing	8,197	6,827	–16.7	2,224	1,870	–15.9
Parcel Germany[2]	1,400	1,614	15.3	404	498	23.3

[1] Reported figures adjusted to reflect new product structure and reclassifications.
[2] Without international shipments.

EXPRESS DIVISION

Key figures, Express

€m	2019	2020	+/–%	Q4 2019	Q4 2020	+/–%
Revenue	17,101	19,135	11.9	4,643	5,599	20.6
of which Europe	7,650	8,110	6.0	2,096	2,424	15.6
Americas	3,599	3,971	10.3	985	1,152	17.0
Asia Pacific	6,097	7,139	17.1	1,659	2,046	23.3
MEA (Middle East and Africa)	1,229	1,257	2.3	320	348	8.8
Consolidation/Other	–1,474	–1,342	9.0	–417	–371	11.0
Profit from operating activities (EBIT)	2,039	2,751	34.9	611	1,040	70.2
Return on sales (%)[1]	11.9	14.4	–	13.2	18.6	–
Operating cash flow	3,291	4,382	33.2	970	1,381	42.4

[1] EBIT/revenue.

Express: revenue by product

€m per day[1]	2019	2020	+/–%	Q4 2019	Q4 2020	+/–%
Time Definite International (TDI)	51.1	58.1	13.7	55.2	69.6	26.1
Time Definite Domestic (TDD)	4.8	5.4	12.5	5.3	6.4	20.8

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

Express: volume by product

Thousands of items per day	2019	2020	+/–%	Q4 2019	Q4 2020	+/–%
Time Definite International (TDI)	1,009	1,097	8.7	1,100	1,290	17.3
Time Definite Domestic (TDD)	531	615	15.8	588	716	21.8

International business posts strong revenue growth

Revenue in the division increased by 11.9% in the year under review to €19,135 million. This includes foreign currency losses of €639 million, excluding which revenue grew by 15.6%. The revenue figure also reflects the fact that fuel surcharges were lower than in the previous year in all regions. Excluding currency effects and fuel surcharges, revenue was up by 16.8%.

Per-day revenues and shipment volumes were up in both our Time Definite International (TDI) and our Time Definite Domestic (TDD) product lines in the reporting year. While B2C volumes were the main driver of growth for the year as a whole, the fourth quarter also saw further recovery in B2B volumes.

Operating business up sharply in Europe region

Revenue in the Europe region increased by 6.0% to €8,110 million in the reporting year, including foreign currency losses of €133 million. Year-on-year revenue growth excluding foreign currency losses was 7.8%. In the TDI product line, per-day revenue increased by 6.6% and per-day shipment volumes by 6.8%. In the fourth quarter of 2020, international revenues per day were up strongly by a 19.3% and per-day shipment volumes by 16.2%.

Americas region sees double-digit growth

In the Americas region, revenue rose by 10.3% to €3,971 million in 2020. That figure includes currency losses of €234 million. Revenue growth excluding foreign currency losses was 16.8%. Per-day TDI volumes were up 13.6% compared with the previous year. Per-day TDI revenues grew by 13.2%. In the fourth quarter of 2020, shipment volumes improved by 22.2% and per-day international revenues rose 29.6%.

Revenue growth accelerates in Asia Pacific region
In the Asia Pacific region, revenue improved by 17.1% to €7,139 million in the reporting year. That figure includes foreign currency losses of €179 million; growth excluding currency losses was 20.0%. In the TDI product line, revenue per day increased by 21.7% and per-day volumes by 10.9%. Growth in the fourth quarter of 2020 came to 31.0% for revenues per day and 15.5% for per-day volumes.

TDI shipments improve in the MEA region
Revenue in the MEA (Middle East and Africa) region improved by 2.3% in the reporting period to €1,257 million, including foreign currency losses of €53 million. Growth excluding currency effects was 6.6%. Per-day TDI revenues increased by 8.6% and per-day volumes rose 1.3%. Growth in the fourth quarter of 2020 amounted to 23.5% for per-day revenues and 24.3% for per-day volumes.

EBIT up sharply year-on-year
Division EBIT climbed 34.9% in 2020 to €2,751 million. Fourth-quarter EBIT was up by 70.2% to €1,040 million.

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures, Global Forwarding, Freight

€m

	2019	2020	+/–%	Q4 2019	Q4 2020	+/–%
Revenue	15,128	15,914	5.2	3,854	4,390	13.9
of which Global Forwarding	10,680	11,681	9.4	2,724	3,238	18.9
Freight	4,565	4,345	–4.8	1,160	1,181	1.8
Consolidation/Other	–117	–112	4.3	–30	–29	3.3
Profit from operating activities (EBIT)	521	590	13.2	173	172	–0.6
Return on sales (%)[1]	3.4	3.7	–	4.5	3.9	–
Operating cash flow	801	664	–17.1	386	260	–32.6

[1] EBIT/revenue.

Global Forwarding: revenue

€m

	2019	2020	+/–%	Q4 2019	Q4 2020	+/–%
Air freight	4,772	6,137	28.6	1,265	1,770	39.9
Ocean freight	3,604	3,441	–4.5	871	932	7.0
Other	2,304	2,103	–8.7	588	536	–8.8
Total	**10,680**	**11,681**	**9.4**	**2,724**	**3,238**	**18.9**

Global Forwarding: volumes

Thousands

		2019	2020	+/–%	Q4 2019	Q4 2020	+/–%
Air freight[1]	tonnes	3,379	2,969	–12.1	897	842	–6.1
of which exports[1]	tonnes	1,872	1,667	–11.0	501	478	–4.6
Ocean freight	TEU[2]	3,207	2,862	–10.8	795	762	–4.2

[1] Prior-year figures adjusted due to change in volume calculation.
[2] Twenty-foot equivalent units.

Positive revenue trend

Revenue in the division increased by 5.2% in the year under review to €15,914 million. Excluding negative currency effects of €415 million, the year-on-year revenue increase came to 7.9%. Revenue for the fourth quarter of 2020 amounted to €4,390 million, exceeding the prior-year quarter by 13.9%.

Revenue in the Global Forwarding business unit increased by 9.4% to €11,681 million in the reporting year. Excluding currency losses of €393 million, the increase was 13.1%. At €2,576 million, gross profit in the Global Forwarding business unit was likewise up on the prior-year figure of €2,524 million.

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

We registered a decline of 12.1% in air freight volumes in 2020, due mainly to a worldwide decrease in market volumes. Air freight revenue nonetheless saw an increase of 28.6% on the prior-year level due to transport capacity shortages, which caused prices to rise. Gross profit improved by 17.2%. A central system for sourcing air freight capacity and improvements in our global infrastructure contributed to the revenue increase. In the fourth quarter of 2020, air freight revenue saw a significant rise of 39.9% whilst gross profit was up 15.7%.

Ocean freight volumes for the year under review were down 10.8% year-on-year. Ocean freight revenues fell by 4.5% and gross profit by 1.5%. However, fourth-quarter increases were recorded in both revenue (7.0%) and gross profit (11.0%) due to the increased freight rates associated with a shortage of transport capacity, particularly for transports from Asia. The share of revenue related to industrial project business and reported under Other dropped below the prior-year level of 34.3% to 30.5%. Gross profit for industrial project business decreased by 14.8%.

Volume growth in European overland transport business

Revenue in the Freight business unit decreased by 4.8% to €4,345 million in the reporting year, due in part to foreign currency losses of €25 million. Volumes were up 2.1% year-on-year. The business unit's gross profit declined by 3.0% to €1,116 million. The fourth quarter proved to be stronger than in 2019, with revenue up by 1.8% and volumes by 8.9%.

Earnings improve despite lower volumes

Division EBIT rose from €521 million to €590 million in the reporting year despite lower volumes. Earnings benefitted primarily from a central procurement system for freight capacity, further improvements to the global infrastructure for air freight operations and strict cost management. In the fourth quarter, the Global Forwarding, Freight division reached the prior-period level, with EBIT of €172 million.

SUPPLY CHAIN DIVISION

Key figures, Supply Chain

€m	2019 adjusted[1]	2020	+/– %	Q4 2019 adjusted[1]	Q4 2020	+/– %
Revenue	13,533	12,537	–7.4	3,597	3,498	–2.8
of which EMEA (Europe, Middle East and Africa)	6,805	6,104	–10.3	1,776	1,689	–4.9
Americas	4,759	4,640	–2.5	1,324	1,310	–1.1
Asia Pacific	1,992	1,814	–8.9	502	505	0.6
Consolidation/Other	–23	–21	8.7	–5	–6	–20.0
Profit from operating activities (EBIT)	911	426	–53.2	176	175	–0.6
Return on sales (%)[2]	6.7	3.4	–	4.9	5.0	–
Operating cash flow	1,337	1,064	–20.4	811	699	–13.8

[1] Prior-year figures adjusted due to reclassifications, as described in note 9 to the consolidated financial statements.
[2] EBIT/revenue.

Reduced business activity impacts revenue

Revenue in the division decreased by 7.4% in the year under review to €12,537 million. The revenue decline was largely due to pandemic-related temporary location closures and reduced business activity. Foreign currency losses of €457 million and business disposals in 2019 – mainly the China business – additionally impacted revenue growth. Fourth-quarter 2020 revenue was down 2.8% to €3,498 million.

Supply Chain: revenue by sector and region, 2020

Total revenue: €12,537 million

of which Retail	28%
Consumer	23%
Auto-mobility	13%
Technology	13%
Life Sciences & Healthcare	10%
Engineering & Manufacturing	5%
Others	8%
of which Europe/Middle East/Africa/Consolidation	49%
Americas	37%
Asia Pacific	14%

New business worth €1,296 million secured

In 2020, the division concluded additional contracts worth approximately €1,296 million in annualised revenue – an increase year-on-year – with both new and existing customers. The Retail, Consumer and Life Sciences & Healthcare sectors accounted for the majority of the new business. A large proportion can also be attributed to e-commerce business. The annualised contract renewal rate remained at a consistently high level.

Earnings performance in the 2020 financial year heavily impacted by lockdown measures

Division EBIT decreased to €426 million in the year under review (previous year: €911 million). EBIT was affected by extraordinary expenses of €62 million caused by non-recurring impairment losses resulting from lockdown measures and the payment of a special bonus totalling €52 million. The decline in EBIT was impacted by net proceeds of €426 million from the sale of the division's business in China and non-recurring expenses of €151 million recorded in the previous year. In the fourth quarter of 2020, the Supply Chain division reached the prior-year level with EBIT of €175 million thanks to increased business activity.

ECOMMERCE SOLUTIONS DIVISION

Key figures, eCommerce Solutions

€m	2019	2020	+/–%	Q4 2019	Q4 2020	+/–%
Revenue	4,045	4,829	19.4	1,087	1,455	33.9
of which Americas	1,153	1,629	41.3	319	495	55.2
Europe	2,307	2,618	13.5	611	785	28.5
Asia	586	593	1.2	159	182	14.5
Other/Consolidation	–1	–11	<–100	–2	–7	<–100
Profit from operating activities (EBIT)	–51	158	>100	–11	75	>100
Return on sales (%)[1]	–1.3	3.3	–	–1.0	5.2	–
Operating cash flow	161	337	>100	33	37	12.1

[1] EBIT/revenue.

Revenue up in the reporting year

The division generated revenue of €4,829 million in the reporting period, a rise of 19.4% on the prior-year figure of €4,045 million. All regions contributed to the increase. The impact of the pandemic varied greatly from region to region, with sharp declines in volumes and supplemental costs being reported above all in Spain and India. Overall growth in B2C volumes in other countries was able to compensate for those losses. Revenue increased significantly in the Americas and Europe regions and was up slightly in the Asia region. Excluding foreign currency losses of €117 million, total revenue increased year-on-year by 22.3%. In the fourth quarter of 2020, division revenue was up by 33.9% to €1,455 million. The increase was driven by growth in B2C volumes, which led to higher revenue in all regions.

Significant EBIT improvement on the back of prior-year restructuring expenditures

EBIT in the division improved significantly in the reporting year, rising from €–51 million in the prior year to €158 million. Prior-year EBIT was impacted mainly by net restructuring expenses of €80 million, incurred, amongst other things, for portfolio optimisation, overhead reductions and loss allowances. In the reporting period, impairment losses of €30 million were recognised in the second quarter and the payment of a special bonus of €10 million was recognised in the third quarter. EBIT for the fourth quarter of 2020 amounted to €75 million (previous year: €–11 million).

DEUTSCHE POST AG (HGB)

Deutsche Post AG as parent company

To supplement 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 *Handelsgesetzbuch* (HGB – German Commercial Code) and *Aktiengesetz* (AktG – German Stock Corporation Act). The HGB financial statements are relevant for calculating the dividend.

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

Employees

The number of full-time equivalents at Deutsche Post AG was 166,143 at the reporting date (previous year: 156,989). An increase in volumes in the German parcel business was the main factor contributing to the need to hire new staff.

Results of operations

Revenue grew by a total of €628 million (4.2%) year-on-year. Due to a change in the reporting structure for the Post & Parcel Germany division, revenue from transporting documents and goods across Germany's borders is now presented as International revenue.

Revenue from German letter mail business was €7,716 million in the year under review and thus 2.1% below the prior-year level of €7,882 million. A total of €5,085 million (previous year: €4,855 million) of the revenue was attributable to Mail Communication, €1,693 million (previous year: €2,013 million) to Dialogue Marketing and €938 million (previous year: €1,014 million) to other services. Revenue from our German parcel business was €5,164 million in the reporting period, an increase of 30.1% on the prior-year figure of €3,969 million. Factors here were an increase in volumes as well as the merger of the DHL Delivery regional companies with Deutsche Post AG in 2019. Mail volumes from online sales increased due to pandemic-related closures of brick-and-mortar retail locations. Revenue of €2,079 million (previous year: €1,963 million) was reported for our International business unit. Other revenue amounted to €626 million (previous year: €1,143 million).

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

€m	2019	2020
Revenue	14,957	15,585
Other own work capitalised	32	53
Other operating income	625	972
	15,614	**16,610**
Materials expense	–4,949	–5,207
Staff costs	–8,374	–8,532
Amortisation of intangible assets and depreciation of property, plant and equipment	–310	–291
Other operating expenses	–1,861	–2,156
	–15,494	**–16,186**
Financial result	**2,215**	**2,765**
Taxes on income	**–85**	**–274**
Result after tax/Net profit for the period	**2,250**	**2,915**
Retained profits brought forward from previous year	**4,234**	**5,062**
Net retained profit	**6,484**	**7,977**

Other operating income registered a year-on-year increase of €347 million, or 55.5%, driven mainly by higher income from currency translation (€237 million).

Materials expense rose by €258 million on account of an increase in the cost of transport services for letters and parcels.

Staff costs increased by €158 million year-on-year, due primarily to new hires and tariff increases. In financial year 2020 the impact of the tariff increases as at 1 October 2019 was felt throughout the year. In addition, the one-off payment due under the collective bargaining agreement in a total amount of €43 million and the bonus payment totalling €50 million were made in 2020.

Amortisation of intangible assets and depreciation of property, plant and equipment declined slightly (by €19 million).

The increase of €295 million in other operating expenses stemmed primarily from higher currency translation expenses (€277 million).

The financial result in the amount of €2,765 million (previous year: €2,215 million) comprises net investment income of €3,399 million (previous year: €2,581) and net interest expense of €634 million (previous year: net interest expense of €366 million). The change in net investment income is mainly due to the €857 million increase in income from profit transfer agreements attributable to Deutsche Post Beteiligungen Holding GmbH. Deutsche Post Beteiligungen Holding GmbH results were affected by very good operating results in the subsidiaries as well as the reversal of impairment loss on the carrying amount for a subsidiary. Lower income from plan assets led to the decline in net interest income.

After deducting taxes on income of €274 million (previous year: €85 million), net profit for the period totalled €2,915 million (previous year: €2,250 million). Including retained profits brought forward, net retained profit for the period amounted to €7,977 million (previous year: €6,484 million).

Net assets and financial position

Total assets up

Total assets rose to €43,012 million at the balance sheet date (previous year: €38,315 million).

Fixed assets increased from €19,169 million to €19,333 million, with investments in property, plant and equipment totalling €475 million (previous year €384 million) and relating primarily to land and buildings (€164 million), technical equipment (€109 million), other equipment, operating and office equipment (€69 million) and advance payments and assets under development (€133 million). Investments were mainly made in mail and parcel centres, conveyor and sorting systems, Packstations and real estate for network expansion. Long-term financial assets decreased by €69 million due to lower loans to affiliated companies.

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

€m	2019	2020
ASSETS		
Fixed assets		
Intangible fixed assets	178	190
Property, plant and equipment	3,209	3,430
Long-term financial assets	15,782	15,713
	19,169	**19,333**
Current assets		
Inventories	66	68
Receivables and other assets	17,471	19,251
Securities	8	1,208
Cash and cash equivalents	1,315	2,767
	18,860	**23,294**
Prepaid expenses	**286**	**385**
TOTAL ASSETS	**38,315**	**43,012**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	1,237	1,239
Treasury shares	–1	0
Issued capital	**1,236**	**1,239**
(Contingent capital: €207 million)		
Capital reserves	4,618	4,670
Revenue reserves	4,457	4,480
Net retained profit	6,484	7,977
	16,795	**18,366**
Provisions	**4,889**	**5,388**
Liabilities	**16,568**	**19,186**
Deferred income	**63**	**72**
TOTAL EQUITY AND LIABILITIES	**38,315**	**43,012**

Current assets grew by €4,434 million, largely due to an increase of €2,215 million in receivables from affiliated companies resulting from intra-group cash management and profit transfer agreements. In addition, our securities holdings increased by €1,200 million and cash and cash equivalents by €1,452 million, mainly due to the issuance of new bonds worth €2,250 million.

Equity rose from €16,795 million in the previous year to €18,366 million. The 2020 distribution to shareholders totalling €1,422 million was more than offset by the net profit for 2020 of €2,915 million. The increase of €52 million in capital reserves and the increase of €23 million in revenue reserves is attributable to the commitment and settlement of shares for executive remuneration plans. In total, the equity ratio decreased from 43.8% in the previous year to 42.7% in the reporting period.

Provisions rose by €499 million in the reporting period. Provisions for pensions and similar obligations increased by €296 million, provisions for taxes by €31 million and other provisions by €172 million. The rise in other provisions is attributable to personnel-related provisions amounting to €104 million and other provisions amounting to €68 million.

Liabilities increased by €2,618 million to €19,186 million. By contrast with the increase of €1,946 million in bond liabilities, amounts due to banks decreased by €240 million. In financial year 2020, we issued three new bonds worth €2,250 million and repaid on schedule one bond with a principal amount of €300 million. The increase of €955 million in liabilities to affiliated companies resulted mainly from intragroup cash management.

Increase in cash and cash equivalents

Deutsche Post AG's cash and cash equivalents increased by €1,452 million to €2,767 million in financial year 2020.

Debt

Deutsche Post AG's debt (provisions and liabilities) rose by €3,117 million to €24,574 million compared with the previous year. The increase was chiefly due to higher bond liabilities (€1,946 million), higher liabilities to affiliated companies (€955 million) and higher provisions for pensions and similar obligations (€296 million) in the reporting period.

Expected developments, opportunities and risks

Deutsche Post AG is included fully in the Group's international strategy and the associated forecast of expected developments. Since Deutsche Post AG is interconnected, to a large degree, with the companies of Deutsche Post DHL Group through arrangements including financing and guarantee commitments and direct and indirect investments in its investees, Deutsche Post AG's opportunities and risks align closely with those of the Group. The section entitled Expected developments, opportunities and risks therefore also covers expected developments, opportunities and risks with respect to the parent company. The Post & Parcel Germany division reflects Deutsche Post AG's core business in material respects. The DHL divisions have an indirect influence on Deutsche Post AG through net investment income from profit transfer agreements. As a result, the subsidiaries' future operating results also influence the future results of Deutsche Post AG. The HGB financial statements are relevant for calculating the dividend. For financial year 2021, we anticipate a result for Deutsche Post AG that will enable a dividend payment compatible with our financial strategy.

NON-FINANCIAL STATEMENT

Expectations for sustainable business practices have become more prominent than ever not only amongst employees, customers and capital market actors, but also amongst members of society and politics. In order to appropriately depict this development for our company, we revised our reporting effective as of the start of financial year 2020. Rather than issuing a separate sustainability report, the combined management report now includes the combined non-financial statement for Deutsche Post AG and for the Group in accordance with sections 289b(1) and 315b(1) HGB.

In addition, we are currently updating our ESG roadmap as part of our **Strategy** and will accordingly expand our ESG reporting to include more detail in the future.

The two non-financial performance indicators used in managing the Group – greenhouse gas efficiency and employee engagement – were determined on the basis of their materiality as defined by HGB; German Accounting Standards (GASs) were applied **Management.**

The sustainability reporting standards issued by the Global Reporting Initiative (GRI) are taken as the framework for determining material non-financial topics, amended by HGB requirements. In addition to the components of the non-financial statement, we are committed to topics that we have summarised here for reasons of related content. This applies above all to the content added to the employee section and to our commitment to the principles set out in the UN Global Compact.

The section entitled **General information** contains information on our business model.

Opportunities and risks relevant to the minimum requirements of the non-financial statement are included and quantified as part of the Group's opportunity and risk management process. No reportable risks were identified for the Group that were linked to its own business activities, business relationships, products or services, and that very likely have or will have a severe negative impact on significant aspects. Please refer to "Opportunities and risks arising from human resources" and "Opportunities and risks arising from climate change, catastrophes and epidemics" in the section entitled **Expected developments, opportunities and risks** concerning opportunities and risks. We have not identified any significant risks or opportunities in the aforementioned areas.

Components of the non-financial statement

Aspect (HGB)	Concept	Objective/result	Report section
E = Environment			
Environmental matters	Energy efficiency and climate change	Improve greenhouse gas efficiency/CEX improved to 37 index points	**Management; Forecast/actual comparison; Environment; Expected developments**
S = Social			
Social matters	Corporate citizenship	Employee pride in our contribution to society/78% approval rate	**Society**
Respect for human rights	Compliance with laws, principles and policies	Prevent violations/Raise employee awareness/Training and on-site reviews	**Employees**
Employee matters	Employee engagement	Increase Employee Engagement score to 78%/Employee Engagement score increased to 82%	**Management; Forecast/actual comparison; Employees; Expected developments**
	Employee development	Increase participation in the Group's "Certified" initiatives to 80%/Participation rate increased to 74%	**Employees**
	Occupational health and safety	Prevent accidents/LTIFR decreased to 3.9	**Employees**
G = Governance			
Anti-corruption and -bribery matters	Compliance with laws, principles and policies	Prevent violations/Training and anti-corruption day/Regular audits	**Compliance**
Respect for human rights	Standards in the supply chain	Adhere to supplier code of conduct/Regular audits/Follow-up measures	**Compliance**

More information on sustainability is available on our **Website.**

Commitment to shared values

We conduct our business in accordance with applicable laws, ethical principles, ecological standards and international guidelines. We take guidance from the principles set out in the Universal Declaration of Human Rights, the OECD Guidelines for multinational enterprises and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as from the principle of social partnership. Through ongoing dialogue with our stakeholders, we ensure that their expectations concerning social and environmental issues are accounted for appropriately and that our business is aligned systematically with those interests. Values such as integrity, transparency, equal opportunity and responsibility, as well as environmental standards, are firmly established in our Code of Conduct and clearly elaborated in our Supplier Code of Conduct.

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 in the event of natural disasters, prepare airports for such scenarios, help to improve career opportunities for young people and support our employees' local projects.

Our product and service portfolio and our near-global presence enable individuals and companies to take part in global trade, and hence contribute to economic development.

As part of the strategic development of our business, we are committed to a holistic definition of sustainability and to further developing the ESG roadmap that will permit us to meet stakeholder demands even better in the future Strategy.

Environment

Dealing with the impact of our operations

Our initiatives to increase greenhouse gas efficiency and our environmentally friendly product range enable us to meet our responsibility for the environment whilst strengthening our own market position.

Due to the sustained e-commerce boom as an important driver of global trade, the demand for transportation solutions is growing. Whilst our business benefits from this trend, our business activities also have an impact on the global environment, primarily in the form of greenhouse gas emissions. Our goal is to minimise that impact by taking measures aimed at protecting the environment and setting climate protection targets to enable us to reach net zero emissions by 2050.

Environmental and climate protection is embedded in our Code of Conduct, our Supplier Code of Conduct and our Environmental and Energy Policy, which provide our employees with clear guidelines as to how they can contribute to the success of our climate protection measures in their immediate surroundings and within the context of their job responsibilities.

Improving emissions and fuel efficiency

We are reducing our dependence on fossil fuels and promoting the use of alternative energy sources in our fleets and buildings. As part of the Group's GoGreen initiative, we develop strategies aimed at improving emissions efficiency and fuel efficiency and intensifying the use of alternative energy sources. The GoGreen initiative addresses both direct and indirect greenhouse gas emissions caused by our operations and by the activities of our transport subcontractors.

We are tracking emissions and greenhouse gas efficiency within our internal management information system. Our divisions regularly provide updates to the Operations Board headed by the CEO on their progress in implementing their environmental protection measures and on their contributions towards the defined targets. Quarterly business review meetings are used to discuss not only operational trends, but also changes in our environmental KPIs. Deviations from planned targets are discussed and appropriate solutions are identified and resolved. Topics of special relevance to our environmental targets are also regularly discussed at Board of Management meetings.

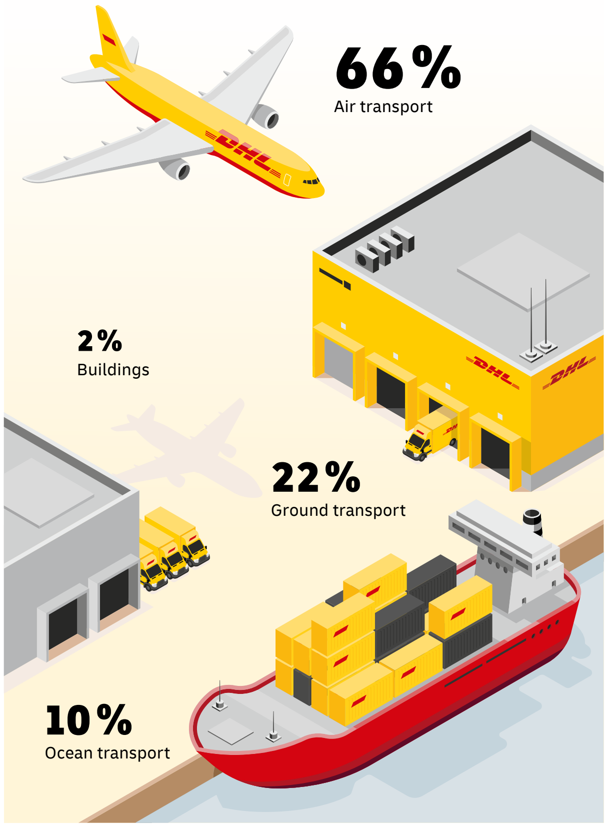
Efficiency target exceeded

We use our carbon efficiency index (CEX) to measure and manage our greenhouse gas efficiency, Management. 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 are disclosed in the form of CO_2 equivalents (CO_2e). Our CEX score reflects the ratio of the relevant emissions to performance indicators specific to the respective business units.

In 2020, our direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions amounted to 6.77 million tonnes of CO_2e (previous year, adjusted: 6.48 million tonnes of CO_2e). The indirect greenhouse gas emissions (Scope 3) of our transport subcontractors came to 20.61 million tonnes of CO_2e (previous year, adjusted: 20.94 million tonnes of CO_2e).

CO_2e emissions, 2020

Total: 27.38 million tonnes[1]



[1] Scope 1 to 3 (previous year, adjusted: 27.42 million tonnes).

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 2020, we improved our CEX figure by two index points to 37 index points, Forecast/actual comparison. This development was driven in particular by increased utilisation and efficiency of our own network due to a shift of air freight volumes from passenger flights to our more efficient cargo aircraft and, amplified by a pandemic-related shortage of air freight capacity in the market.

Higher volumes in the German parcel and international e-commerce businesses as well as greater efficiencies in our ocean freight business contributed also to this positive development. Furthermore, we increased our use of green electricity at our locations by 3% to 86%.

Energy consumption by company fleet and company buildings

Million kWh

	2019	2020
Consumption by fleet	23,100	24,294
Air transport (jet fuel)	18,613[1]	19,624
Road transport (petrol, biodiesel, diesel, bio-ethanol, LPG)	4,442	4,630
Road transport (biogas, CNG, LNG)	45	40
Consumption in buildings and facilities (including electric vehicles)	3,099	3,089
Electricity	1,681	1,710
of which Green electricity	1,392	1,463

[1] Prior-year figure adjusted to reflect the switch to the use of an air transport emission factor that is based on actual consumption (sourced from EcoTransIT).

The use of biofuels in our Group and amongst our subcontractors led to a reduction of 210 kilotonnes in greenhouse gas emissions in the reporting year (previous year: 210 kilotonnes). This was, by and large, achieved through the common market practice of blending biofuels with fossil fuels.

Society

Contributing to economic development and social progress

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

Partnerships and initiatives

Our Group-wide initiatives can be broken down into five broad themes, as shown in the illustration opposite: Employee community involvement (volunteering), disaster management (GoHelp), improving employability (GoTeach), environmental protection (GoGreen) and fostering growth through trade (GoTrade).

We cooperate with established partner organisations in all areas. It is thanks to the expertise of our partners that we can ensure the social relevance and effectiveness of our initiatives.

All Group-wide activities in this area are coordinated and managed by the CEO's board department. The focus areas and objectives of our engagement activities are set down in our Code of Conduct and further specified in our Corporate Citizenship Guideline. We thus offer our employees at all locations clear guidance on how they can take part in initiatives, what the prerequisites for participation are and how their efforts will help support Group objectives.

Corporate citizenship

Local projects

- Volunteering of employees

Global projects

- Disaster management (GoHelp)
  - Get Airports Ready for Disaster (GARD)
  - Disaster relief
- Improving employability (GoTeach)
  - Partnership with Teach For All
  - Partnership with SOS Children's Villages
  - Refugee aid
- Environmental protection (GoGreen)
  - Employees involved in environmental and climate protection

Commercial projects

- Fostering growth through trade (GoTrade)

To support local projects, we have provided a central platform that employees use to share their experiences and that catalogues all activities of relevance for the reporting process. Based on the dialogue with our employees, we know that corporate citizenship is a relevant factor in dermining their overall level of motivation. They want to contribute to social and environmental objectives not only in their personal lives but also at work, to help society and the environment and to enhance the Group's reputation. According to this year's Employee Opinion Survey, 78% of employees reported being proud of how Deutsche Post DHL Group is contributing to society. This was the first time that question was asked; we no longer disclose the Corporate Citizenship Index, a derived metric that we previously calculated.

As part of our GoHelp programme, we again supported disaster relief efforts following natural disasters in the reporting period, for example in Puerto Rico, Honduras and the Philippines. Thanks to our GoTeach programme, we increasingly succeeded in helping young people improve their career options with our online resources. In addition, our employees in numerous countries volunteered to support local relief organisations in their fight against COVID-19.

GoTrade is a new Group programme designed to enable and accelerate cross-border trade in developing economies in cooperation with national governments and multinational organisations. Amongst other things, the new programme trains SMEs in customs clearance and other logistics-relevant activities.

Employees

Being an Employer of Choice

Our employees are our most valuable asset. With some 570,000 employees, we are one of the world's largest employers in our sector.

We strive to be an Employer of Choice in order to attract skilled, dedicated employees to our company, provide them with ongoing employee development opportunities and maintain long-term relationships with them. Motivated employees are a prerequisite for providing the excellent service quality that leads to satisfied customers and sustainable success for our business.

Management responsibilities

The HR Board, which is chaired by the Board member for Human Resources, is responsible for dealing with HR-related matters. Cross-divisional and cross-functional issues, such as how to implement our policies and regulations in the supply chain, are addressed by the Group's Sustainability Advisory Board. The Employee Relations Forum handles questions and initiatives relating to employee concerns, social policies and workforce-related agreements, and human rights. The Diversity Council advises on the further development of diversity management in the Group's divisions. Issues of special significance and importance for the Group are decided by the Board of Management. We obtain external recommendations through our Sustainability Advisory Council (SAC).

Respecting human and workers' rights

We have embedded our understanding of ethically and legally correct conduct in our Code of Conduct, which is applicable across the Group. Respect and results are the keys to understanding, and living, our corporate culture. We are committed to respecting human rights, ensuring equal opportunity in our recruiting and employment practices, and promoting occupational health and safety. Because our executives play a key role when it comes to implementing our values and objectives, we have made the Code of Conduct an integral component of their employment contracts.

As a signatory to the UN Global Compact, we are committed to upholding its principles. This also applies to the principles laid out in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, in compliance with national legislation.

We have specifically included the standards long entrenched in our Code of Conduct and our Supplier Code of Conduct in our Human Rights Policy Statement. The Policy Statement applies to our employees all over the world, and its clearly formulated requirements and distinct allocation of responsibilities supplement the provisions of our Code of Conduct. Apart from repudiating child and other forced labour, the Policy Statement focuses on working conditions and the right to freedom of association. Efforts around working conditions emphasise employee remuneration, working hours and occupational health and safety.

Our management system effectively implements the requirements of our human rights policy throughout the Group. The management system includes training initiatives and on-site reviews as an important means of raising employee and executive awareness, conducted by specially trained and externally certified experts from the divisions and corporate headquarters. A risk-based approach is taken to the selection of countries and locations for the on-site reviews based on internal criteria, such as number of employees, as well as external criteria such as suggestions from international trade union confederations, Verisk Maplecroft's Human Rights Index and Transparency International's Corruption Perceptions Index.

Our employees' working conditions and the associated rules and remuneration policies are governed by collective bargaining agreements, works agreements and statutory provisions. In addition to direct dialogue with their superiors and management representatives, employees can turn to employee committees, works councils, trade unions and other bodies to assist in representing their interests.

At the global level, we engage in regular, open dialogue with international trade union confederations such as UNI Global Union (UNI) and the International Transport Workers' Federation (ITF).

Increase in employee engagement

Our annual, Group-wide Employee Opinion Survey is not only an important tool for measuring employee satisfaction and employee engagement, but a key component in our striving to become Employer of Choice. We added "Employee Engagement" to our Group-wide key performance indicators in 2020 to assist us in quantifying our employees' commitment to the company and their motivation to help the Group succeed; Management. Our "Employee Engagement" KPI exceeded the target of 78% for the reporting year with a score of 82%; Forecast/actual comparison.

Selected results from the Employee Opinion Survey

%	2019	2020
Response rate	77	75
Approval rating for Employee Engagement KPI	77	82

Fostering our corporate culture and promoting expertise

Driven by our common values, core convictions and standards of conduct, our strong corporate culture is a key factor in our success and a fundamental component of our Strategy, which we have summarised in the term "Common DNA". Our corporate culture connects us as a Group across our various business units and operating regions, thus defining who we are and how we operate. It ensures greater process standardisation and hence effective implementation of our strategy.

We communicate our company culture not only in our day-to-day operations but also through select training initiatives. One example is our Group-wide "Certified" employee motivation and development programme, which aims to make our employees experts in their respective areas of responsibility. We use an effective mix of employee engagement, training and knowledge transfer to create an atmosphere conducive to customer-centric action and service excellence. In addition to a foundation module, we offer our employees a wide range of follow-up modules customised to their specific roles and areas of expertise.

Some 373,100 employees have completed the foundation module of the "Certified" programme in recent years. This represents 74% of our workforce excluding turnover.

Due to pandemic-related restriction of in-person training as well as structural changes in the company, the completion rate for 2020 fell below the 80% target we had set for that year.

Since 2020, we have been placing special emphasis on providing training for management and team leaders to help reinforce them in their roles and support them in carrying out their leadership duties. Such training focuses on leadership attributes that are applicable to all Group executives and serve as a behavioural compass.

Number of employees continues to rise

As at 31 December 2020, we employed 521,842 full-time equivalents, or 4.5% more than in the previous year. Added to this were another 77,301 external FTEs subject to the control and direction of the Group. The headcount for our own employees was 571,974 at the end of the year. Female employees made up 34.2% of our global workforce, with 23.2% of all upper and mid-level management positions being held by women in 2020 (previous year: 22.2%).

18% of all employees took advantage of the opportunity for part-time employment (previous year: 17%). 8.0% of employees left the Group at their own request over the course of 2020 (previous year: 9.0%).

In Germany we offer the opportunity to enrol in dual-study apprenticeship programmes consisting of in-house training combined with programmes at state vocational schools. In 2020, 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 2021.

Number of employees

	2019	2020	+/– %
Full-time equivalents			
At year-end[1]	**499,250**	**521,842**	**4.5**
of which Post & Parcel Germany[2]	157,545	166,700	5.8
Express	98,203	104,594	6.5
Global Forwarding, Freight	42,712	40,798	–4.5
Supply Chain[2]	158,004	165,584	4.8
eCommerce Solutions	30,335	31,987	5.4
Corporate Functions	12,451	12,177	–2.2
Consolidation[3]		2	
of which Germany	185,795	193,187	4.0
Europe (excluding Germany)	117,748	118,038	0.2
Americas	94,696	111,734	18.0
Asia Pacific	80,135	79,954	–0.2
Other regions	20,876	18,929	–9.3
Average for the year[4]	**499,461**	**502,207**	**0.5**
Headcount			
At year-end[4]	**546,924**	**571,974**	**4.6**
Average for the year	**544,282**	**547,128**	**0.5**
of which Hourly workers and salaried employees	512,325	518,277	1.2
Civil servants	26,296	23,611	–10.2
Trainees	5,661	5,240	–7.4

[1] Excluding trainees. [2] Prior-period amounts adjusted. [3] Including rounding.
[4] Including trainees.

Strength in diversity

Diversity, non-discrimination and inclusion are embedded firmly in our core values. We consider the diversity of our workforce to be not only an asset to the company but also one of its major strengths. Our Group employs people from cultures all over the world, with 183 nations represented at our German sites alone. We take an equal opportunity approach to new hirings, both internally and externally, and look exclusively to a candidate's qualifications when deciding on their suitability.

As set forth in our Diversity and Inclusion Statement, "diversity" refers to all differences that make us unique as individuals; this extends to gender, national or ethnic origin, religion, age, sexual orientation or identity, disability and any other categories protected by law. We published our first Code of Conduct in 2006, and it applies across all of our regions and divisions. The Code of Conduct serves as an "ethical compass" and contains guidelines for day-to-day workplace conduct as well as our understanding of diversity. Appreciation for diversity amongst our workforce and mutual respect embody our core values for constructive co-operation within the Group and thus contribute to our economic success. During the reporting period, we updated the Code of Conduct in response to new developments. For instance, we addressed some of the core topics from our Strategy 2025, such as digital transformation and sustainability, and incorporated updated Group guidelines and policies.

In line with our inclusive approach, we give disabled individuals all over the world professional perspective. In Germany, employers are required by law to ensure that employees with disabilities make up at least 5% of their workforce. At Deutsche Post AG, our principal entity in Germany, 8.5% of the total workforce represented employees with disabilities in the reporting year, i.e. 15,053 disabled employees (number of mandated positions filled), 17 of whom were trainees. This figure is significantly higher than the statutory quota.

The average age of Group employees declined slightly to 40 years of age. Employee gender distribution remained nearly constant compared with the previous year, with 65.8% of all positions held by men and 34.2% by women.

The steadily rising proportion of female managers has meanwhile reached 23.2%, meaning that one out of five mid- to upper-level management positions is held by women. Our Strategy 2025 lays out a Group-wide target of 30% for the proportion of women in middle and upper management to be reached by 2025.

The Annual Corporate Governance Statement specifies the legally required targets established for the proportion of women on the Board of Management and the top two executive tiers of Deutsche Post AG. It also contains information on diversity in the Group.

In Germany, we offered a total of around 2,000 spots in our post-secondary educational training programmes during the reporting year. In 2021, the number of openings advertised in our training programmes will remain at the level of the reporting year, with dual apprenticeships being offered in 17 fields and 180 spots available in dual study programmes in various fields.

We provide college and university graduates with the chance to choose between various post-graduate training programmes. Our trainee programmes extend over several months and enable holders of a bachelor's or master's degree to become specialists and managers. The programmes are practice-driven and structured in modules, some of which include time abroad. Participants are familiarised with our leadership attributes and employee leadership tools and taught how to manage processes.

Performance-based, market-rate pay

At €22,234 million, staff costs exceeded the prior-year figure of €21,610 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.

Employees of Deutsche Post AG covered by the collective wage agreement may opt to take additional time off in lieu of a pay increase. At present, they may choose between four models offering some five to 21 additional days off per year. As at 31 December 2020, 17.7% of our covered employees had opted to take additional time off.

Responding to demographic change

In response to demographic change in Germany as well as for the purpose of ensuring an ageing-friendly workplace, we have established a Generations Pact enabling employees aged 55 and over to reduce their working hours. A total of 30,220 of our non-civil servant employees maintain a working time account in line with this proven model and 5,997 are already in partial retirement. Since 2016, we have also been offering comparable arrangements for civil servants, 4,104 of whom have established a lifetime working account and 1,234 of whom have entered partial retirement.

An early retirement programme initiated two years ago 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 be 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.

We offer both defined benefit and defined contribution pension plans in which approximately 70% of our employees participate. Our main retirement benefit plans are provided in Germany, the UK, the USA, the Netherlands and Switzerland. Occupational retirement benefit expenses added €944 million to staff costs in the reporting year (previous year: €688 million).

Occupational health and safety

The health and safety of our employees in the workplace is of particular importance to us. We place especially high priority on complying with the Group’s existing occupational health and safety policies, statutory regulations and industry standards, and we have embedded these in our Code of Conduct. Our Supplier Code of Conduct, which is a binding part of the Group’s contracts with suppliers, requires our business partners to adhere to these same high standards. These codes serve to ensure that our company and our business partners conduct risk analyses and workplace risk assessments, instruct employees on potential risks and hazards in the workplace, take preventive measures to protect workers and others from injury and conduct regular safety training.

We measure the success of these initiatives based on the accident rate per 200,000 working hours (Lost Time Injury Frequency Rate, LTIFR). The LTIFR for the year under review was 3.9, an improvement of 0.3 on the previous year. We therefore slightly exceeded our target of 4.0 for 2020. Our objective for 2021 is to maintain LTIFR at 3.9, independent of the development of the COVID-19 pandemic. Slips, trips and falls are still amongst the most common causes of accidents and injury in pick-up and delivery, with the main causes in contract logistics being manual lifting and heavy load handling. We continue to raise awareness through communications and training and plan to step up those measures with the aim of reducing LTIFR to 3.1 by 2025.

We carry out health projects and local initiatives to create a health-promoting work environment and foster our employees’ awareness of a healthy lifestyle. Stress management and dealing with mental health issues were again topics of focus during the reporting year, especially in the context of the pandemic, as was the increasing availability of online health programmes.

Workplace accidents

	2019	2020
Accident rate (number of accidents per 200,000 hours worked)	4.2	3.9
of which Post & Parcel Germany	12.5	11.0
Express	2.4	2.1
Global Forwarding, Freight	0.9	0.7
Supply Chain	0.6	0.5
eCommerce Solutions	1.6	1.4
Corporate Functions	0.4	0.4
Working days lost per accident	16.5	17.2
Number of fatalities due to workplace accidents	3	5
of which As a result of traffic accidents	1	5

Our Group-wide employee benefits programme also enables employees outside of Germany to enjoy primary or supplementary health insurance benefits. Many of our employees work in countries that do not offer sufficient social health coverage. We have been offering employees and their dependants in numerous countries high-quality insurance plans at attractive terms since 2015. Some 250,000 employees in 100 countries have meanwhile enrolled in the programme. We also incentivise local management to reinvest insurance savings into health initiatives for employees and their families.

The Group’s worldwide sickness rate rose slightly to 5.4% in 2020, due in part to the impact of the pandemic.

Compliance

In compliance with applicable legislation

We render all of our services in compliance with current legislation and in accordance with our own values. This includes all legally required disclosures relating to anti-corruption and bribery matters, and respect for human rights in the supply chain.

We observe all applicable international anti-corruption standards and statutes and are a member of the Partnering Against Corruption initiative. Our focus at all times is on preventing potential violations of statutory requirements and internal guidelines.

Codifying our values

Our values such as integrity, transparency, equal opportunity and responsibility, as well as environmental standards, are embedded in our Code of Conduct and, in greater detail, in our Supplier Code of Conduct. Ensuring legally compliant conduct in our business activities and in our interactions with employees is an essential task of all Group management bodies. The rules of ethical conduct as defined in our Code of Conduct are further specified in our Anti-Corruption Policy, which also sets out the rules for dealing with donations and gifts to political parties and government institutions.

Systematically preventing corruption and bribery

With our compliance management system (CMS) we have implemented effective measures for the prevention of corruption and bribery throughout the Group. Responsibility for designing the system lies with the Chief Compliance Officer, who reports directly to the Chief Financial Officer. The Global Compliance Office (GCO) develops the CMS standards and supports the corresponding divisional activities.

Our Code of Conduct and our Anti-Corruption Policy help employees identify situations in which the integrity of the company could be called into question with respect to relevant third parties. Potential violations can be reported around the clock via a compliance hotline or a special web application. External whistleblowers can use a form on the Group's website. Information on relevant violations is collected and included in the regular compliance reports made to the Board of Management and to the Supervisory Board's Finance and Audit Committee.

In light of the special challenges seen in 2020, concepts for the virtual implementation of planned classroom training in the area of compliance were tested and introduced. We also held a Group-wide employee-awareness competition as part of our campaign commemorating International Anti-Corruption Day.

In the year under review, a total of 163 regular audits that were either directly or indirectly related to aspects of compliance were conducted throughout the Group by Corporate Internal Audit. A number of ad hoc audits were also performed. As a supplement to the internal Group monitoring system, these audits support ongoing compliance activities, and facilitate the identification of other compliance risks and the refinement of the compliance programme. The audit findings are also used to review existing audit criteria for topicality and completeness.

Defining and upholding supply chain standards

Corporate Procurement defines the standards for procurement, designs the Corporate Procurement Policy and determines the selection processes for suppliers. The Chief Procurement Officer reports directly to the CEO and ensures that standardised selection processes are applied.

Respect for human rights is an explicit requirement of our Supplier Code of Conduct, which is a binding component of the Group's contracts with suppliers, including subcontractors. By signing, suppliers commit to complying with our ethical principles and are encouraged to implement those principles in their own supply chains.

Suppliers with high environmental and social responsibility standards are preferred. Supplier selection is based on a standardised, multistep assessment process. We continually train procurement staff so as to raise their awareness of the need to identify potential risks related to possible suppliers at an early stage.

In the context of those regular audits in the year under review, Corporate Internal Audit also reviewed the processes for compliance with the Supplier Code of Conduct and the implementation of follow-up measures.

Tax strategy to be adhered to worldwide

Our tax strategy is aligned with our Group strategy and must be adhered to by all of our majority-owned legal entities worldwide. Responsibility for preparation, updating and adherence to the tax strategy lies with the Group tax department.

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

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

In the reporting period, we recognised taxes and social security contributions totalling €3,765 million.

Taxes and social security contributions, 2020

€m

Income taxes paid	754
Other business taxes	306
of which Taxes on capital, real estate and vehicles	132
Other operating taxes	174
Employer's social security contributions	2,705
Total	**3,765**

EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Forecast period

The information contained in the report on expected developments generally refers to financial year 2021.

Future economic parameters

Impact of pandemic to remain perceptible
The second wave of COVID-19 infections in the winter of 2020/21 proved to be more serious than had been either predicted or hoped. Governments worldwide are not likely to start easing restrictions significantly until the spring, assuming incidences show a significant and lasting decrease.

Because the declines in GDP growth recorded at the year-end substantially push down average figures for the year, GDP for 2021 is likely to remain relatively low in both the eurozone and the USA. However, average growth figures for 2022 are projected to receive a boost from the upward momentum expected to set in no later than mid-year.

European exports were already benefitting from strong growth in China and other Asian countries at the start of 2021. The anticipated relaxation of social distancing restrictions as more people are vaccinated is expected to help the service industry recover, additionally spurred on by a consumer spending backlog. At that point, capital expenditure is also expected to see a sharp uptick. At the same time, however, businesses that had been kept afloat during the pandemic will likely be letting workers go as they increasingly face insolvency. In light of rising demand amidst short-term supply shortages, the price of oil is expected to show some upward movement in 2021.

IHS Markit has forecast the following GDP growth for key countries and regions in 2021: The Chinese economy is likely to post growth of 7.6% given the much earlier onset of economic recovery, which has remained constant, whereas Japan is only expected to see an increase of 2.3%. Growth of 4.0% is predicted for the US and 3.4% for the eurozone.

Although IHS Markit has projected growth of just 2.8% for the German economy, this should still be viewed positively in light of the mild recession experienced by the rest of Europe in 2020. The IHS Markit projection is lower than those issued by the IMF in October (4.2%) and the German Council of Economic Experts in November (3.7%) given the tense pandemic situation and the strict lockdown in place since mid-December.

Pandemic reinforces trend towards online shopping
The German market for paper-based mail communication will continue to decline as digital communication increases. As part of our digital transformation agenda for Post & Parcel Germany, we will be realigning our product portfolio to reflect the rise in online communication and the adoption of new digital technologies for secure communication, along with physical delivery.

The German advertising market is expected to shrink slightly in 2021, depending on how lastingly the trend towards online shopping has changed consumer behaviour and led to a reallocation of advertising budgets. The trend towards automated dialogue marketing campaigns is set to remain unchanged.

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

The German parcel market will continue to grow and the shift from in-store to online shopping, which is being driven by pandemic-related restrictions, will likely continue.

Highly cyclical international express market
Experience shows that growth in the international express market, particularly in the B2B segment, is highly dependent upon economic factors. We believe that the steadily growing cross-border e-commerce sector will continue to drive growth in the international express market in 2021.

Air and ocean freight business dependent upon normalisation of freight flows
Growth rates, particularly in our core air and ocean freight business, will depend significantly upon when and how rapidly international trade flows return to normal. In light of the uncertain market situation, this remains dificult to predict, however, a gradual return to normalisation is expected in the second half of the year in particular.

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

This also applies to growth in the European road transport market, in which we expect to see a substantial recovery in 2021 compared with the reporting year.

Contract logistics market continues to grow
The trend towards outsourcing warehousing and distribution is set to continue, given the increased demand for flexibility, agility and speed. Demand for e-fulfilment solutions is expected to grow even further, due in part to the pandemic.

Following recovery from the pandemic, the market for contract logistics is expected to continue experiencing steady growth.

Good growth prospects for eCommerce Solutions
Our eCommerce Solutions division is heavily dependent on local economic trends. The pandemic and pandemic-related restrictions have reinforced the trend towards online shopping. In all regions, especially in the B2C e-commerce sectors, increases in shipping volumes significantly exceeded expectations in 2020. We expect this trend to continue, if not accelerate, in 2021. We are confident that our product portfolio, our digitalisation and automation investments, and our focus on quality and customer-centric solutions will continue to contribute to good overall growth in 2021.

Expected developments

Growth even during the COVID-19 pandemic
Financial year 2020 and the impacts of the COVID-19 pandemic have established a sustained, higher new baseline for volume growth, especially in B2C networks. Starting from the higher baseline, growth rates for B2C shipments are expected to be more moderate from the second quarter of 2021 onward. However, we expect B2B volumes to gradually recover as the year progresses, not only with respect to business in the Post & Parcel Germany, eCommerce Solutions and international Express networks, but also in Global Forwarding, Freight's air, ocean and road freight operations, and at the Supply Chain locations.

Group EBIT expected to exceed €5.6 billion
We expect consolidated EBIT to reach more than €5.6 billion in financial year 2021. For the DHL divisions, we expect total EBIT to come to around €4.5 billion. We proceed from an EBIT of around €1.6 billion for the Post & Parcel Germany division. Group Functions (previously Corporate Functions) is anticipated to contribute around €–0.4 billion to earnings.

Proposed dividend: €1.35 per share
The Board of Management and the Supervisory Board will propose a dividend of €1.35 per share for financial year 2020 to shareholders at the Annual General Meeting on 6 May 2021 (previous year: €1.15).

No change in the Group's credit rating
In light of the earnings forecast for 2021, 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 2021 as a result of the dividend payment for financial year 2020 scheduled for May 2021, repayment of a bond and the annual pension-related prepayment due to *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency). 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 €3.4 billion expected
In 2021, we plan to increase capital expenditure (excluding leases) to around €3,4 billion in support of our strategic objectives and further growth. The focus of capital expenditure will be similar to that of previous years.

Anticipated EAC and free cash flow
In line with the projected growth in EBIT, we expect that EAC will also increase in 2021. Free cash flow is expected to amount to around €2.3 billion.

High approval for employee engagement maintained
With regard to the Employee Engagement performance indicator, the level of approval is expected to be more than 80% across the Group in 2021 and remain at least at that level until 2025.

Further improving greenhouse gas efficiency
We expect the Group to continue improving its greenhouse gas efficiency. Our CEX score is projected to increase by one index point during financial year 2021. As part of our Strategy, we are currently working on updating our ESG roadmap on the way to reaching net-zero greenhouse gas emissions by 2050. In this context, we are also analysing metrics and targets relating to greenhouse gas efficiency and absolute carbon emissions.

Opportunity and risk management

Uniform reporting standard

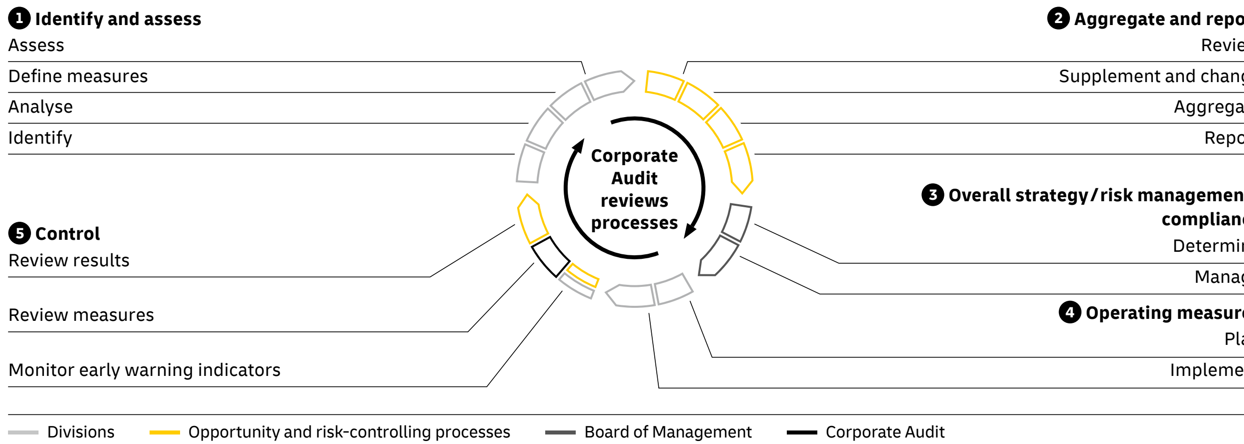
As an internationally operating logistics company, we are facing numerous changes. Our aim is to identify the resulting opportunities and risks at an early stage and take the necessary measures in the specific areas affected in due time to ensure that we achieve a sustained increase in enterprise value.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

Opportunity and risk management covers not only opportunities and risks, but also sustainability. With the goal of devoting even greater attention to sustainability, in 2020 we launched a Group-wide project aimed at identifying new, cross-divisional opportunities and risks related to specific topics in the area of environmental, social and governance (ESG) structures.

Our early identification process uses a proprietary IT application that is constantly updated to take elements of the Group's opportunity and risk management system and combine them into a uniform reporting standard. 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.

Opportunity and risk management process



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 risk owners who assess and monitor the risk, specify possible procedures for going forwards and then file a report. The same applies to opportunities. At least one management process used to measure net risk exposure must be reported for each opportunity or risk. In isolated cases where it is not initially possible to make a quantitative assessment, risks may be assessed on a qualitative basis to ensure that the full scope of all risks is captured. The results are compiled in a database. We also conduct an annual risk workshop for each division with the Divisional Boards, as supplements to the quarterly process. Workshop discussion focuses on opportunities and risks of significance to the whole division. At the same time, newly identified opportunities and risks are subsequently integrated into the quarterly process.
2. **Aggregate and report:** The control units collect the results, evaluate them and review them for plausibility. If individual financial effects overlap, this is noted in our database and taken into account in the compilation process. After being approved by the division risk owner, 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 Audit has the task of ensuring that the Board of Management's specifications are adhered to. It also reviews the quality of the entire opportunity and risk management operation. The control units regularly analyse all parts of the process as well as the reports from Corporate 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) *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.

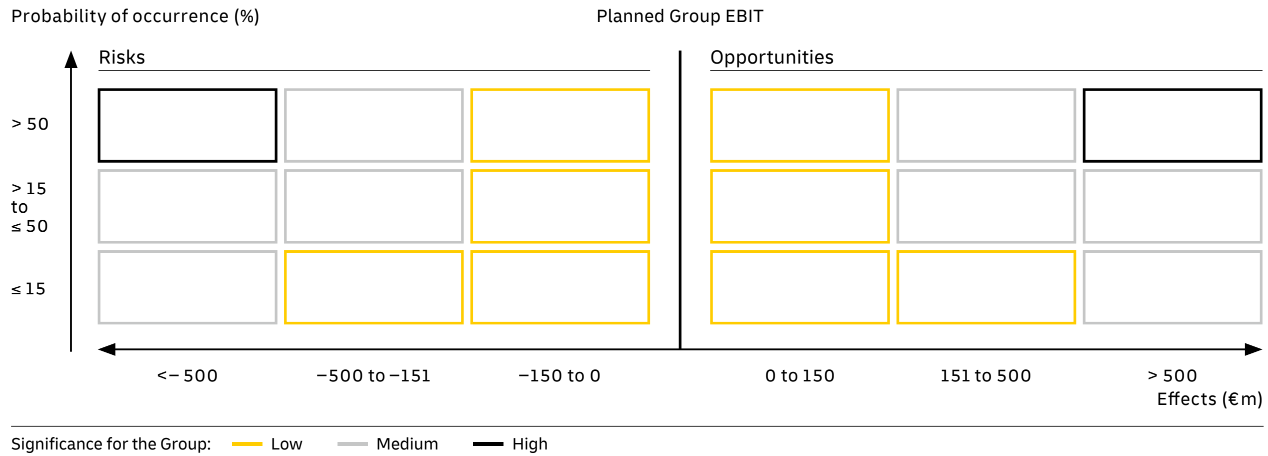
Over and above the ICS and risk management, Corporate Internal Audit is an essential component of the Group's control and monitoring system. Using risk-based auditing procedures, Corporate Internal Audit regularly examines the processes related to financial reporting and reports its results to the Board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

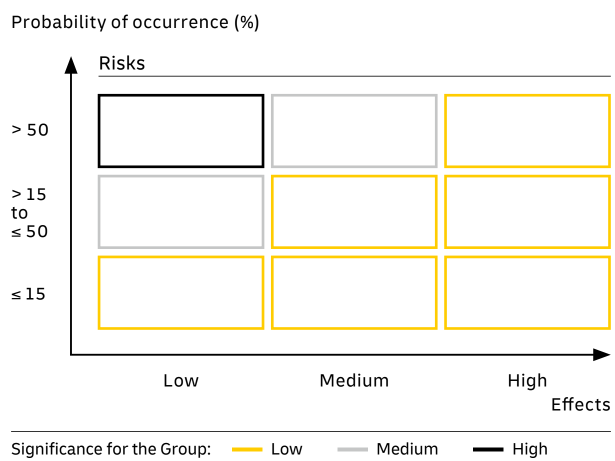
In the following, we have reported mainly on those risks and opportunities which, from a current standpoint, could have a significant impact upon the Group during the forecast period beyond the impact already accounted for in the business plan. The risks and opportunities have been assessed in terms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

Classification of risks and opportunities



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

Assessing qualitative risk



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

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

Opportunities and risks are identified and assessed decentrally at Deutsche Post DHL Group. Reporting on possible deviations from projections, 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 in categories for the purposes of this report. It should be noted that the figures provided in the underlying individual reports exhibit a significant correlation with the performance of the world economy and global economic output. Unless otherwise specified, a low relevance is attached to the individual opportunities and risks within the respective categories and in the forecast period under observation (2021). The opportunities and risks generally apply to all divisions, unless indicated otherwise.

Opportunity and risk categories

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. Digital transformation plays a key role in this. Digital transformation involves the integration of new technologies into a corporate culture that uses the changing environment to its advantage. This gives rise to opportunities from new infrastructure networking possibilities and from digital business models, for example. Our earnings projections regularly take account of development opportunities arising from our strategic orientation.

We take action early to counter potential strategic risks. In so doing, it helps that our customer and supplier portfolios are as broad as possible and that we focus on profitable sectors and products, regularly review customer and product performance, practice strict cost management and add surcharges whenever necessary. We also offer our customers a high level of service quality.

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 and the continual decline in letter mail occurring parallel with the steady increase in parcel volumes and merchandise mail items. We are counteracting the risk arising from changing demand by expanding our range of services. Due to the e-commerce boom, we expect our parcel business to continue growing in the coming years and are therefore expanding our parcel network. We are also expanding our range of electronic communications services, securing our standing as a quality leader and, where possible, making our transport and delivery costs more flexible. We follow developments in the market very closely and take them into account in our earnings projections. For the specified forecast period, we do not see any significant strategic opportunities or risks for the Post & Parcel Germany division.

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 significant strategic opportunities or risks for the Express division.

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

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 significant strategic opportunities or risks for the Supply Chain division.

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. 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 significant strategic opportunities or risks relating to the eCommerce Solutions division.

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

Legal and compliance-related opportunities and risks

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

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

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

Opportunities and risks arising from capital expenditure and projects

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

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

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

Operational opportunities and risks

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

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

A large number of internal processes must be aligned so that we can render our services. These include – in addition to our fundamental operating processes – supporting functions such as sales and purchasing 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. Our earnings projections already incorporate the expected cost savings.

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

Opportunities and risks arising from human resources

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

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

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

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

Thanks to a targeted and coordinated approach, we were able to limit the impact of the pandemic in the year under review without generating any serious repercussions for our illness rate. We foresee similar results for 2021.

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

Opportunities and risks arising from information technology

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

For our business processes to run smoothly at all times, the essential IT systems must be continuously available. We have therefore designed our systems to protect against complete system failure. All of our software is updated regularly to address bugs, close potential gaps in security and increase functionality. We employ a patch management process – a defined procedure for managing software upgrades – to control risks that could arise from outdated software or from software upgrades.

We limit access to our systems and data such that employees can only access the data they need to perform their duties. All systems and data are backed up on a regular basis, and critical data are replicated across data centres. In addition to outsourced data centres, we operate central data centres in the Czech Republic, Malaysia and the United States. Our systems are thus geographically separate and can be replicated locally. Based upon the measures described above, we estimate the probability of experiencing a significant IT incident with serious consequences as very low.

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

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

Financial opportunities and risks

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

With respect to currencies, opportunities and risks result from scheduled foreign currency transactions as well as those budgeted for the future. Any significant currency risks arising from budgeted transactions are quantified as a net position over a rolling 24-month period. Highly correlated currencies are consolidated in blocks. At the Group level, the most important net surpluses are budgeted for the "US dollar block" as well as for the pound sterling, the Japanese yen and the 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 effect of all foreign currency gains and losses is currently deemed to result in a risk of low relevance for the Group. However, recent exchange rate trends indicate that an opportunity could arise over the course of the year.

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

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

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

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

Tax-related opportunities and risks

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

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

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

Opportunities and risks related to real estate transactions

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

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

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

Market- and customer-specific opportunities and risks

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

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

Solutions & Innovation unit uses a customer risk dashboard for this purpose.

We expect the positive development of our business to carry over into 2021. Growth opportunities will arise in all areas of business as the world economy gradually recovers and structural growth continues in the area of e-commerce. Although the consequences of the pandemic have weakened world trade, our DHL divisions are benefitting from rising demand for complex logistics solutions, amongst other things, thanks to our position as the global market leader.

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

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

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

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.

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

No significant opportunities or risks are seen at present in this risk category.

Opportunities and risks arising from political, regulatory or legal conditions

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

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

Revenue and earnings risk can arise in particular from the price cap procedure used to determine the rates for individual pieces of letter mail. The current rates for 2019 to 2021 were approved by *Bundesnetzagentur* on 12 December 2019 as part of the price cap procedure; the approved rates are in effect until 31 December 2021.

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

Moreover, the same CEP association had previously (on 4 December 2015) filed an action against the pricing approvals granted for the years from 2016 to 2018. The German Federal Administrative Court ruled on that action brought by the CEP association on 27 May 2020. The only one of the approvals that the court deemed unlawful concerned the increase in the price of a standard domestic letter to €0.70 for the years from 2016 to 2018. The ruling is only directly applicable to the plaintiff. The amount in dispute was set by the Federal Administrative Court at a mid-range, four-digit euro amount.

In the grounds for its decision, the court stated that the pricing approval in question was unlawful because the method used to calculate the allowable profit margin under the amended provisions of the 2015 *Post-Entgeltregulierungsverordnung* (PEntgV – Postal Rate Regulation Act) was not in compliance with the provisions of *Postgesetz* (PostG – German Postal Act) regarding the authority to issue statutory instruments. The German government plans to remedy this formal deficiency through an amendment to *Postgesetz*, which will allow previous regulatory practice to continue by and large. *Bundesnetzagentur* will examine the consequences of the Federal Administrative Court's ruling on the current pricing approvals granted for the years from 2019 to 2021.

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

We describe other significant legal proceedings in note 44 to the consolidated financial statements. However, we do not see any of these other proceedings as posing a risk of significant deviations from the projections for the 2021 forecast period.

In addition, the German federal government intends to amend the German Postal Act and its regulations with the stated aim of ensuring good-quality postal services and healthy competition as well as reducing unnecessary regulation. On 1 August 2019, the German Federal Ministry for Economic Affairs and Energy published key points applicable to the revision of *Postgesetz*. The legislative process to amend *Postgesetz* is expected to begin in the course of 2021. Depending upon the structure of the new regulatory framework, opportunities and risks may arise for the company's regulated areas.

Apart from legal aspects, the economic and political situations in our regions are of significance to us. At present, we are mainly focussing on potential effects of the UK's exit from the EU. 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.

Due to a change in the EU customs regime, all EU imports will be subject to VAT starting on 1 July 2021. Import VAT will also be charged on goods from non-EU sellers valued at below €22. It will also be necessary to submit an electronic customs declaration form for each shipment. The relocation of customs classification from the destination country to the country of origin will result in additional costs for the Group due to the need to modify processes and provide IT support. We do not currently anticipate this leading to any significant risk for the Group.

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

Opportunities and risks arising from climate change, catastrophes and epidemics

Our business operations can be both positively and negatively impacted by natural disasters, epidemics and ecological factors.

The year 2020 was crucially shaped by the COVID-19 pandemic, which presented us with challenges posing both opportunities and risks. Our focus at all times was, and continues to be, on safeguarding the health of our employees. At the same time, we succeeded in significantly increasing our revenues due to volume increases in both the German parcel business and in express deliveries. At the same time, measures aimed at containing the pandemic led to economic restrictions and uncertainty about how the global economy as a whole and our business will fare going forward. We are making a collective effort to contain the virus and adapt our business to the current situation by taking suitable measures such as improving hygiene protocols, requiring masks to be worn, enabling remote working where possible and holding virtual meetings. The further course of the virus cannot be predicted at present. We are therefore examining the impact of the pandemic on our operations in the individual regions at regular intervals. We believe that the overall effect of the opportunities and risks described will be of medium relevance for the Group in the coming years. We deal with additional potential effects of the pandemic in the report on expected developments.

We are paying close attention to current developments in environmental policy and their effects on our business – for instance the introduction of a national emission trading system in 2021. At present, we do not see the Group as being exposed to any significant risk based on these developments, given our objective of achieving net-zero greenhouse gas emissions by 2050.

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

Overall assessment

We expect consolidated EBIT to reach more than €5.6 billion in financial year 2021. For the DHL divisions, we expect total EBIT to come to around €4.5 billion. We proceed from an EBIT of around €1.6 billion for the Post & Parcel Germany divison. Group Functions (previously: Corporate Functions) is anticipated to contribute around €–0.4 billion to earnings. In line with the projected growth in EBIT, we expect that EAC will also increase in 2021. With planned investment (excluding leasing) of around €3.4 billion, we expect free cash flow to amount to around €2.3 billion.

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

GOVERNANCE

Annual Corporate Governance Statement

pursuant to sections 289f and 315d *Handelsgesetzbuch* (HGB – German Commercial Code) with respect to Deutsche Post AG and Deutsche Post DHL Group.

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

The new German Corporate Governance Code (the "Code") entered into force in March 2020. The Board of Management and the Supervisory Board reviewed the principles, recommendations and suggestions contained therein and in December 2020 resolved to again issue an unqualified Declaration of Conformity pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) with respect to the new Code recommendations:

"The Board of Management and the Supervisory Board of Deutsche Post AG hereby declare that all recommendations of the Government Commission German Corporate Governance Code (DCGK) as amended on 7 February 2017 and published in the Federal Gazette on 24 April/19 May 2017 have been complied with, including after issuance of the Declaration of Conformity in December 2019, and that all recommendations of the Code as amended on 20 March 2020 and published in the Federal Gazette on 16 December 2019 shall be complied with in the future."

The suggestions made in the Code as amended on 16 February 2019 will likewise be implemented without exception.

The current Declaration of Conformity and all Declarations of Conformity for the past five years are available on the company's website.

Corporate governance principles and shared values

Our business relationships and activities are based upon responsible business 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. We encourage relationships with our shareholders, our employees and other stakeholders, whose decisions to select Deutsche Post DHL Group as a supplier, employer or investment are increasingly also based upon the requirement that we apply good corporate governance criteria.

As a Group-wide framework of policies and regulations, the Code of Conduct is firmly established within the company and is applicable across all divisions and regions. The Code of Conduct was updated in the year under review. For one thing, we addressed some of the core topics from our Strategy 2025, such as sustainability and digital transformation. We also reviewed the provisions of the Code of Conduct for conformity with the Group's broader policies and regulations. This relates to the "Anti-Corruption and Anti-Bribery" and "Human Rights" sections, for example. The Code of Conduct is based upon the principles set out in the United Nations (UN) Global Compact and the Universal Declaration of Human Rights. It is consistent with recognised legal standards, including the applicable anti-corruption legislation and agreements. We adhere to the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. As a longstanding partner of the United Nations, we also support the UN's Sustainable Development Goals (SDGs).

The Code of Conduct also defines what is meant by diversity. Diversity and mutual respect are some of the core values that contribute to good co-operation within the Group and thus to economic success. The key criteria for the recruitment and professional development of our employees are their skills and qualifications. 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 our 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 that our interactions with business partners, shareholders and the public are conducted with integrity and within the bounds of the law is vital to maintaining our reputation. This is also the foundation of Deutsche Post DHL Group's lasting business success. Our compliance management system (CMS) focusses upon preventing corruption and anti-competitive conduct. Insights gained from compliance audits and reported violations are also used to continually improve and upgrade the CMS system, Compliance.

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

The Supervisory Board 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 German Corporate Governance Code, succession planning is based on the diversity criteria stipulated by the Supervisory Board 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 should end no later than the year in which the Board of Management member reaches the age of 65. The company's D&O insurance for the members of the Board of Management provides for a deductible as set out in the AktG.

The **rules of procedure for the Supervisory Board** include principles governing the Board's internal organisation and the work of the Supervisory Board committees as well as a catalogue of Board of Management transactions requiring approval. 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 Annual 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 the 2020 financial year, Supervisory Board members held six plenary meetings, 25 committee meetings and one closed meeting, as described in the **Report of the Supervisory Board.** Some of those meetings were held as conference calls due to pandemic-related restrictions. Whenever the Supervisory Board held meetings without the participation of the full Board of Management, certain agenda items were only dealt with when the Chair of the Board of Management was present. In September, the Supervisory Board met without the Board of Management present. The attendance rate was very high at nearly 100%. 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. Of particular importance in the year under review were the effects of the pandemic on our employees' health and on the performance of our divisions, including the specific measures implemented by the divisions. 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. They receive appropriate support from the company in the process. One of the core elements is the annual Directors' Day, which was last held in December 2020. Speakers from within the company made presentations on current issues and developments and were available to answer questions.

Independence of shareholder representatives on the Supervisory Board

All Supervisory Board members are independent within the meaning of the German Corporate Governance Code. The number of independent Supervisory Board members therefore exceeds both the previous target of a minimum of 75% we had set for the Supervisory Board as a whole and the more ambitious target – set in December 2020 to replace the previous target – of a minimum of 60% for the group of shareholder representatives. The largest shareholder in the company, KfW Bankengruppe, currently holds 20.49% of the shares in Deutsche Post AG and therefore does not exercise control. Accordingly, Dr Jörg Kukies and Dr Günther Bräunig are also independent. None of the shareholder representatives have been on the Supervisory Board for more than twelve years. Lawrence Rosen is the only former Board of Management member with a seat on the Supervisory Board. It has been more than four years since Mr Rosen served on the Board of Management.

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

Effectiveness of the Supervisory Board's 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 the 2020 financial year, the Supervisory Board reviewed the efficiency of its activities in its September meeting. The Board concluded that it had performed its monitoring and advisory duties effectively and efficiently. Constructive collaboration within the Supervisory Board and with Board of Management members in an atmosphere of trust enables duties to be performed in a proper and professional manner, as does the way in which the meetings are organised and conducted, which extends to the timely provision of decision-useful information.

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

The Supervisory Board most recently amended the targets it had set for its composition in December 2020 to reflect Recommendation C.6 of the new German Corporate Governance Code. The target for an appropriate number of independent Supervisory Board members now relates solely to the group of shareholder representatives. The new target of 60% is higher than the figure previously set with due consideration for the group of employee representatives. The targets established also act as targets for the skills profiles sought by the Supervisory Board.

1. When proposing candidates to the Annual General Meeting for election as Supervisory Board members, the Supervisory Board is guided purely by the best interests of the company. Subject to this requirement, the Supervisory Board aims to ensure that the independent group of shareholder representatives as defined in C.6 of the German Corporate Governance Code accounts for at least 60% of the Supervisory Board, and that at least 30% of Supervisory Board members are women.
2. The Supervisory Board's future proposals to the Annual General Meeting will continue to consider candidates whose origins, education or professional experience equip them with international knowledge and experience.
3. The Supervisory Board should 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, 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 such targets and the skills profile into account in the election proposals it made to the 2020 Annual General Meeting. It will do the same with respect to election proposals to be made to this year's Annual General Meeting.

Board of Management and Supervisory Board committees

All Board of Management members meet once a year to hold business review meetings for each division. Additional business review meetings are held per division or cross-divisional function between the CEO, the CFO and representatives of management for each division. The review meetings involve discussions of 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 regarding the appointment of members to the Board of Management, preparation of their service agreements (including remuneration), the system for remunerating Board of Management members, the establishment of variable remuneration targets and the review of the appropriateness of Board of Management remuneration. The Executive Committee 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 and the effectiveness of the internal control system, risk management, internal audit and the audit of the financial statements, in particular with respect to audit quality and the independence of the auditors. It prepares the proposals of the Supervisory Board to be made to the Annual General Meeting concerning appointment of the auditor and is responsible for carrying out the selection process. The Finance and Audit Committee, moreover, deals with the audit of the non-financial statement. If the auditor is to be engaged to perform non-audit services, the committee must also approve any such engagement. It examines corporate compliance and discusses the half-yearly financial reports and the quarterly statements with the Board of Management prior to their publication. Based upon its own assessment, the committee submits proposals for the approval of the annual and consolidated financial statements by the Supervisory Board. Since 1 January 2020, the Finance and Audit Committee has been additionally responsible for issuing findings on the required Supervisory Board approvals of 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 and in D.4 of the German Corporate Governance Code. 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 will be informed without delay of any potential grounds for exclusion or for impairment of the auditors' independence that arise during the audit, to the extent that any such grounds for exclusion or impairment are not immediately remedied. In addition, it has been agreed that the auditors will 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 statements 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. In addition, it does preparatory work on corporate acquisitions and divestitures that require the Supervisory Board's approval.

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

The Personnel Committee discusses human resources principles for the Group.

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

Further information about the work of the Supervisory Board and its committees in the 2020 financial year is contained in the Report of the Supervisory Board. The members of the Supervisory Board and all offices held by them can be found on page 7 f., and the members of the Board of Management and all offices held by them can be found on page 6.

Committees of the Supervisory Board

Executive Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister (until 15 July 2020)
Ingrid Deltenre
Werner Gatzer (until 12 February 2020)
Thomas Held
Thorsten Kühn (since 4 September 2020)
Dr Jörg Kukies (since 23 April 2020)

Personnel Committee

Andrea Kocsis (Chair)
Dr Nikolaus von Bomhard (Deputy Chair)
Ingrid Deltenre (since 4 September 2020)
Thomas Koczelnik
Roland Oetker (until 27 August 2020)

Finance and Audit Committee

Dr Stefan Schulte (Chair)
Stephan Teuscher (Deputy Chair)
Werner Gatzer (until 12 February 2020)
Thomas Koczelnik
Dr Jörg Kukies (since 23 April 2020)
Simone Menne
Stefanie Weckesser

Strategy Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister (until 15 July 2020)
Dr Günther Bräunig
Dr Heinrich Hiesinger (since 4 September 2020)
Thomas Koczelnik
Roland Oetker (until 27 August 2020)
Stephan Teuscher (since 4 September 2020)

Nomination Committee

Dr Nikolaus von Bomhard (Chair)
Ingrid Deltenre
Werner Gatzer (until 12 February 2020)
Dr Jörg Kukies (since 23 April 2020)

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

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister (until 15 July 2020)
Dr Heinrich Hiesinger (since 4 September 2020)
Thorsten Kühn (since 4 September 2020)
Roland Oetker (until 27 August 2020)

Diversity

When selecting members for the Board of Management, the Supervisory Board pays close attention to ensuring that they have a variety of qualifications, abilities and experience and that their skills profiles offer a meaningful addition to the Board of Management as a whole. 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 until the 2021 Annual General Meeting is 2:8.

The Board of Management has set a target of 30% for the percentage of women at Deutsche Post AG at both executive tiers below the Board of Management. We aim to meet these targets by 31 December 2024. The two executive tiers are defined on the basis of their reporting lines: tier 1 comprises executives assigned to the N-1 reporting line, whilst tier 2 consists of executives from the N-2 reporting line. 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 23.2% as at 31 December 2020.

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

Shareholders and Annual General Meeting

Shareholders exercise their rights, and in particular their right to receive information and to vote, at the Annual General Meeting. Each share in the company entitles the holder to one vote. The agenda with the proposed resolutions for the Annual General Meeting and additional information will be made available on the company website at the latest when the General Meeting is convened. A detailed CV is published for each Supervisory Board candidate put forth for election. We assist our shareholders in exercising their voting rights not only by making it possible to submit postal votes but also by appointing company proxies, who cast their votes solely as instructed by the shareholders. Additionally, shareholders can authorise company proxies and submit postal votes via the online service offered by the company. Due to the pandemic, the 2020 Annual General Meeting was held online in line with the applicable statutory provisions. Shareholders were able to submit their questions online up to two days prior to the AGM. They were able to vote either by absentee ballot or by authorising a company proxy to vote in their place. The 2021 Annual General Meeting will also be held online given that the pandemic is still ongoing.

Remuneration of the Board of Management and the Supervisory Board

The remuneration system applied to Board of Management members must be presented to the Annual General Meeting for approval whenever there are significant changes, or at least every four years. The 2018 Annual General Meeting approved the Board of Management remuneration system with around 89% of the votes cast in favour. The remuneration system continues to apply in largely unchanged form, as explained in greater detail in the Remuneration Report. That report also contains information regarding the remuneration of the individual members of the Board of Management and the Supervisory Board. In December 2020, the Supervisory Board decided to modify the remuneration system for Board of Management members to reflect the requirements of the AktG, which was amended by way of the Act on the Implementation of the Second Shareholder Rights Directive (ARUG II), and in line with the recommendations and suggestions set out in the revised German Corporate Governance Code. The modified remuneration system will be presented to the 2021 Annual General Meeting for approval. The Board of Management and the Supervisory Board will additionally put forward their proposal for Supervisory Board remuneration to the AGM for voting. The remuneration system for Board of Management members and the AGM's resolution on Supervisory Board remuneration will be made accessible on the company's website.

Disclosures required by takeover law

Disclosures required under sections 289a(1) and 315a(1) *Handelsgesetzbuch* (HGB – German Commercial Code) and explanatory report.

Composition of issued capital, voting rights and transfer of shares

As at 31 December 2020, the company's share capital totalled €1,239,059,409 and was composed of the same number of no-par value registered shares. Each share carries the same rights and obligations stipulated by law and/or in the company's Articles of Association and entitles the holder to one vote at the Annual General Meeting (AGM). 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 20.49% of the share capital. The Federal Republic of Germany holds an indirect stake in Deutsche Post AG via KfW.

Appointment and replacement of members of the Board of Management

The members of the Board of Management are appointed and replaced in accordance with the relevant statutory provisions (cf. sections 84 and 85 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 are available on the company's website and in the electronic Company Register. They may also be viewed in the commercial register of the Bonn Local Court.

The Board of Management has furthermore been authorised by resolution of the AGMs of 27 May 2014 (agenda item 8), 28 April 2017 (agenda item 7), 24 April 2018 (agenda item 6) and 27 August 2020 (agenda items 7 and 8) to issue Performance Share Units (PSUs). The authorisation resolutions are included in the notarised minutes of the AGM, which can be viewed in the commercial register of the Bonn Local Court. In order to service both current PSUs and those yet to be issued, the AGM approved contingent capital increases. Details may be found in article 5 of the Articles of Association. As at 31 December 2020, the PSUs already issued conferred rights to up to 29,678,108 Deutsche Post AG shares, assuming the conditions are met. Under the authorisations granted, up to 49,350,484 additional PSUs may still 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 2,003,334 shares during the financial year. As at 31 December 2020, the company held no 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 facility as well as its share of any outstanding loans and to request repayment. The terms and conditions of the bonds issued under the Debt Issuance Programme established in March 2012 and those of the convertible bond issued in December 2017 also contain change-of-control clauses. In the event of a change of control within the meaning of those terms and conditions, creditors are, under certain conditions, granted the right to demand early redemption of the respective bonds. Finally, Deutsche Post AG has concluded a factoring agreement providing for a maximum volume of €70 million in connection with distribution partnerships. The factoring agreement can be terminated without notice in the event of a change of control as defined in the agreement.

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). Starting in the 2021 financial year, Board members are no longer entitled to receive a severance payment when exercising their right to early termination. With regard to the Annual Bonus Plan with Share Matching for executives, the holding period for the shares will become invalid with immediate effect in the event of a change of control of the company. The participating executives will receive the total number of matching shares corresponding to their investment (or a cash equivalent) in due course. In such a case, the employer will be responsible for any tax disadvantages resulting from a reduction of the holding period. Taxes normally incurred after the holding period are exempt from this provision.

Remuneration

The remuneration report describes the system of remuneration applied to members of the Board of Management and the Supervisory Board for the 2020 financial year. It explains in detail and in individualised form the structure and amount of the individual components of Board of Management and Supervisory Board remuneration. The remuneration report has been prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch* – HGB), German Accounting Standards (GASs), International Financial Reporting Standards (IFRSs) and the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – the Code). It also contains previously selected disclosures made on a voluntary basis in accordance with the requirements of the Act Implementing the Second Shareholder Rights Directive (ARUG II) of 12 December 2019.

BOARD OF MANAGEMENT REMUNERATION

In terms of its basic design, the remuneration system for members of the Board of Management of Deutsche Post AG has been in place for many years. The Supervisory Board reviewed the remuneration system in depth in 2020 in response to changes in the regulatory framework due to ARUG II and the revision of the German Corporate Governance Code. The review also considered investor feedback as one of its key focuses. On 11 December 2020, the Supervisory Board therefore resolved changes to the remuneration system, as summarised in the following table.

Changes to the remuneration system

Object	Previous regulations	New regulations
Annual bonus	Target structure: • 75% financial targets • 25% non-financial targets, of which 12.5% are ESG targets Calculation: Based on target achievement	**From 2022** Target structure: • 70% financial targets • 30% non-financial targets, all from the ESG area: 10% “environmental” 10% “social” 10% “governance” Calculation: Based on target achievement, in exceptional circumstances option for up to 20% increase/decrease
Maximum remuneration	Limit to amount of remuneration granted and, beginning in 2022, to amount received, excluding fringe benefits	**From 2021 or 2022** Remuneration granted including fringe benefits will be limited beginning in 2021, amount received including fringe benefits will be limited beginning in 2022
Change of control	Entitlement to severance payment for termination upon change of control	**From 2021** No entitlement to severance payment for termination upon change of control
Pension commitment	• Variable interest with iBoxx Corporates AA 10+ Annual Yield • Minimum interest rate 2.25%	**From 2021** • Variable interest with weighted annual interest rate of Deutsche Post pension assets in Germany • Minimum interest rate 1%

All incumbent members of the Board of Management have modified their current employment contracts to reflect the amended terms.

The remuneration system was last approved at the 2018 Annual General Meeting by 88.56% of the votes cast. It will be submitted to the 2021 Annual General Meeting for approval for the first time in accordance with section 120a of the German Stock Corporation Act (*Aktiengesetz* – AktG).

Principles of the remuneration system for the Board of Management

The remuneration system for the Board of Management provides incentives for the successful implementation of the corporate strategy as well as sustainable development of the Group and is largely geared toward creating long-term value for shareholders. It complies with the requirements of the German Stock Corporation Act and the recommendations and suggestions of the German Corporate Governance Code.

Furthermore, the Supervisory Board aims to set the remuneration so that it is competitive and in line with market standards in order to attract and retain the best candidates for Board of Management positions.

In designing the remuneration system, the Supervisory Board also ensures that, as far as possible, it is harmonised with the remuneration system for executives below the Board of Management in order to provide comparable performance incentives. When determining the remuneration system and levels of remuneration, the Supervisory Board therefore considers the following guidelines:

Principles for determining Board of Management remuneration

- The remuneration system makes a significant contribution to implementing corporate strategy.
- The remuneration structure is intended to support the Group's long-term, sustainable development.
- The performance criteria are based primarily on strategic targets in addition to operating targets.
- Ambitious targets ensure that outstanding performance is rewarded appropriately, whereas remuneration is reduced when targets are missed ("pay for performance").
- The remuneration system takes into account the concerns of shareholders, employees and other stakeholders.
- The Supervisory Board ensures that targets are consistent between the Board of Management and executives.
- The remuneration appropriately reflects the duties and performance of Board of Management members and the situation of the company, and is also customary in comparison with other companies.

The Supervisory Board determines the remuneration for members of the Board of Management and resolves the underlying remuneration system. It is supported in this process by the Executive Committee, which supervises the appropriate design of the remuneration system and prepares the Supervisory Board's resolutions. If necessary, the Supervisory Board calls in external consultants. It ensures the independence of all consultants selected.

Determining levels of remuneration

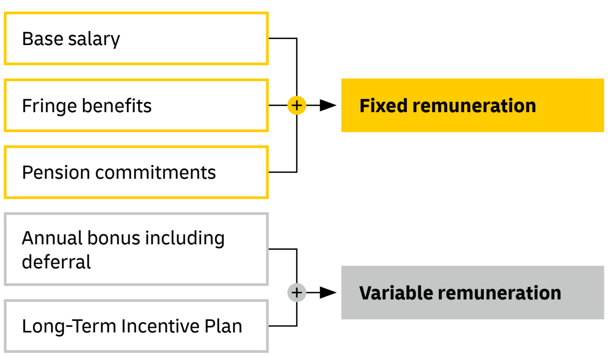
Based on the remuneration system, the Supervisory Board sets specific target and maximum remuneration amounts for every member of the Board of Management. For five-year contracts, remuneration is reviewed three years after the start of the contract. When setting remuneration levels, the Supervisory Board places value on providing appropriate remuneration for members of the Board of Management. The criteria for this include responsibilities, personal performance, and experience of the individual Board of Management members as well as the company's economic situation, success, and future prospects and the customary of remuneration levels in consideration of the market environment (horizontal appropriateness) and the remuneration structure that otherwise applies in the company (vertical appropriateness).

In order to assess horizontal appropriateness, the DAX companies are used as the peer group; the positioning within the peer group is determined in consideration of the market position of Deutsche Post based on the key figures revenue, number of employees and market capitalisation. In terms of vertical appropriateness, the Supervisory Board considers the relation to the remuneration of the senior management level and the company's workforce in Germany, including the development over time. The Supervisory Board has defined senior management as the top management levels within management levels B to D specified by the company. The remaining workforce consists of other executives and the employees both covered and not covered by collective agreements, for whom representative remuneration groups are considered.

Board of Management remuneration components
The total remuneration for members of the Board of Management consists of fixed and variable components. Fixed remuneration consists of base salary, fringe benefits and pension commitments. Variable remuneration consists of a short-term annual bonus, which is partially transferred into a medium-term remuneration component by means of a delayed payment (deferral), and long-term variable remuneration, the Long-Term Incentive Plan (LTIP).

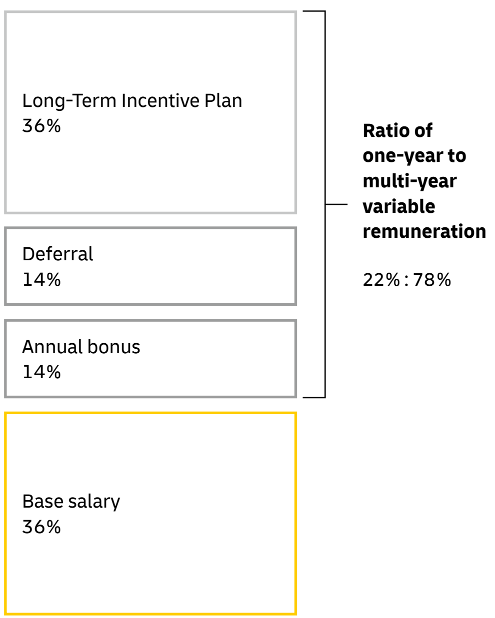
The individual performance-based components are differentiated inter alia according to the term and the criteria used to assess performance.

Remuneration components



Remuneration structure
When determining the variable remuneration, the Supervisory Board ensures a predominantly multi-year structure, i.e. long-term and medium-term remuneration components exceed short-term remuneration. This fosters the sustainable and long-term development of the company. At the same time, the share of the short-term variable remuneration ensures that the focus is also always on annual operative targets, the achievement of which forms the basis for future development. The target remuneration structure (excluding fringe benefits and pension commitment) is as follows:

Target remuneration structure



As additional components, pension contributions make up 35% of the respective base salary. Fringe benefits (excluding any compensation paid to new members of the Board of Management for variable remuneration granted by former employers and subsequently forfeited) should, as a rule, not exceed 15% of the base salary. In the 2020 financial year, they amounted, as a rule, to significantly less than 5% of the respective base salary, or up to 10% of the base salary in isolated cases involving other countries.

Overview of the remuneration components
The following table provides an overview of the remuneration system components, their purpose and how they relate to the company's strategy, as well as their design.

Remuneration components

Component	Purpose	Design
Fixed remuneration		
Base salary	• Serves to attract and retain Board of Management members who, due to their experience and expertise, are able to develop and successfully implement the strategy. Simultaneously fosters an independent, risk-adjusted and autonomous management of the company	• Fixed, contractually agreed annual remuneration, generally paid monthly in twelve equal amounts
Fringe benefits		• Mainly the use of a company car (including the services of a driver, if applicable), allowances for health and long-term care insurance in analogous application of the regulations and benefits under German social insurance law, and benefits in cases where two households are maintained
Pension commitment	• Ensures adequate income in retirement	• Annual contribution of 35% of the base salary • Interest rate: Pension contributions allocated up to and including 2020 in accordance with "iBoxx Corporates AA10+ Annual Yield", but at least 2.25% • Pension contributions allocated as of 2021: Weighted annual interest rate of overall pension assets of all German pension schemes of Deutsche Post, however no less than 1%
Variable remuneration		

Annual bonus with medium-term component (deferral)	• Ensures profitable growth in consideration of the overall responsibility of the Board of Management and the performance of the individual Board of Management members
	• Provides incentives for Board of Management members to concentrate on successfully carrying out annual business priorities
	• The deferred component, which is subject to an additional performance criterion, reinforces the focus of the Board of Management remuneration upon the company's long-term performance
		• Target amount: 80% of the respective base salary
		• Payout: 50% in the following year, 50% after an additional two years (sustainability phase), but only if the cost of capital is earned at the end of the sustainability phase (medium-term component)
		• Deferred component designed solely as a malus provision
		• Until 2021:
		  • 75% financial and 25% non-financial performance targets
		  • Maximum amount (cap): 100% of the respective base salary
		• From 2022:
		  • 70% financial performance targets and 30% ESG targets
		  • Option for an increase/decrease of up to 20% in the event of exceptional developments
		  • Maximum amount (cap): 120% of the respective base salary possible in the event of exceptional developments

Long-term component – Long-Term Incentive Plan (LTIP)	• Fosters sustainable, positive development of the company's value and connects the interests of the Board of Management members with those of shareholders	• Plan type: Stock appreciation rights
		• Amount allocated: 100% of the base salary
		• Personal investment: 10% of the base salary
		• Performance targets based on share price:
		  • Absolute increase in share price
		  • Relative performance versus the STOXX Europe 600
		• Cap: 4x base salary (2.5x base salary for the Chairman of the Board of Management)
		• Exercisability: based on performance targets reached after four years.
		• Cash payout: in the fifth or sixth year after allocation, depending on the individual exercise date

1. Fixed remuneration

BASE SALARY AND FRINGE BENEFITS

The base salary fosters independent, risk-adjusted and autonomous management of the company. Board of Management members also receive fringe benefits, which are taxed as a non-cash benefit. Fringe benefits may include the provision of a company car, including for personal use; the use of a driver; allowances for health and long-term care insurance; the assumption of costs for security installations at the board member's private residence; benefits in the event of assignments outside of the member's home country, such as the reimbursement of moving costs, benefits for maintaining two households, the reimbursement of costs associated with taking a position in Germany (e.g. for engaging a relocation service, for official applications or for tax consulting costs); reimbursement of expenses for journeys home. The amount of fringe benefits is capped. Fringe benefits should not exceed 15% of the base salary as a rule. In addition, compensation payments may be made to new members of the Board of Management to compensate them for variable remuneration that had been granted by former employers but subsequently forfeited. The overall cap (see number 3) increases by the compensation amount in the year any such compensation payment is made.

PENSION COMMITMENTS

The members of the Board of Management are granted contribution-based pension commitments, the main features of which are shown in the table below. The company credits an annual amount to a virtual pension account for each member of the Board of Management. In connection with the review of the remuneration system, the Supervisory Board decided to no longer link the interest rate for pension contributions made from 2021 onward to an external reference index, but to base it on the return generated by the company pension assets of the employees in Germany. For these pension contributions, the relevant interest rate therefore is the weighted annual interest rate of the overall pension assets of all German pension schemes of Deutsche Post for the year the interest is granted. At the same time, the minimum interest rate was lowered to 1%.

Contribution-based pension commitment

Aspect	Description
Type of retirement benefit	Capital payment with annuity option
Retirement age	62 years
Contribution amount	35% of base salary, limited to 15 years
Invalidity and survivor's pension	Payout of the pension account balance without any risk benefit
Interest rate	Pension contributions allocated up to and including 2020: "iBoxx Corporates AA10+ Annual Yield", or 2.25% at minimum. Pension contributions allocated as of 2021: Weighted annual interest rate of overall pension assets of all German pension schemes of Deutsche Post, or a minimum of 1%
Adjustment of annuities	1% p.a.

In lieu of the benefits described, members of the Board of Management whose primary residence is outside of Germany may receive an annual amount equivalent to 35% of their base salary, paid directly (pension substitute). Since the contribution-based pension commitment was launched in 2008, this option has not been used.

When first appointed in 2002, the Chairman of the Board of Management was granted a final-salary-based pension commitment, as was customary in the company at the time. The main features of this pension commitment are shown in the following table.

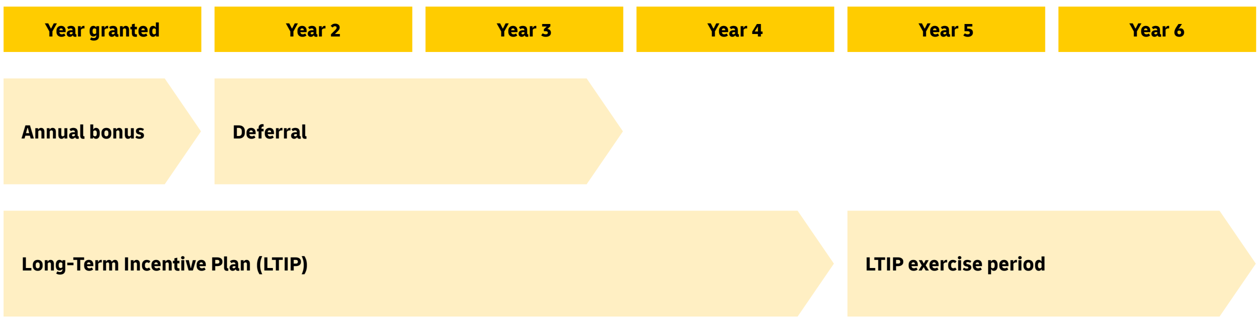
Final salary-based legacy pension commitment

Aspect	Description
Type of retirement benefit	Annuity with capital payment option
Retirement age	Contractual retirement age: 55 (not applied), payments commence after leaving the Board of Management
Pension amount	50% of last base salary
Invalidity pension	50% of last base salary
Survivor's pension	Widow: 60% of the original beneficiary's pension benefit Children: 20% of the original beneficiary's pension benefit until reaching the age of 27 Maximum of 100% of the original beneficiary's pension in total
Annuity adjustment	According to the consumer price index for Germany

2. Variable remuneration

By applying selected strategic performance criteria and ambitious targets, the variable remuneration of Board of Management members provides incentives for managing the company in line with the corporate strategy and in the interests of the shareholders and other stakeholders. The annual bonus – in combination with its medium-term component, which provides for a two-year sustainability phase with its own performance criterion – focuses on the annual targets derived from the company's strategy and simultaneously ensures that these are sustainably pursued. The long-term component, which takes the form of granting stock appreciation rights, aims for a lasting increase in enterprise value. The long-term component directly links the interests of Board of Management members with long-term shareholder interests by way of its performance targets, which are based on the company's share price, and its duration of up to six years. Neither the performance targets nor the comparison parameters are changed after the fact. There is no provision for the payment of special bonuses.

Duration of variable remuneration components of target remuneration



ANNUAL BONUS WITH MEDIUM-TERM COMPONENT (DEFERRAL)

The annual bonus provides incentives for members of the Board of Management to focus on successfully implementing the annual business priorities. The aim is to achieve profitable growth whilst taking into account the overall responsibility of the Board of Management and the individual performance of the Board members. The deferral, which is subject to an additional performance criterion, reinforces the focus of the Board of Management remuneration on the company's long-term performance.

Performance criteria

The performance criteria used to measure the performance of Board of Management members for the annual bonus comprise financial and non-financial targets. 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.

In the spirit of value-based corporate management, the financial targets are derived from the Group's main key performance indicators with the aim of increasing profitability through the efficient use of capital. As such, the EBIT after asset charge (including asset charge on goodwill and before goodwill impairment – hereinafter EAC) for the Group and the divisions as well as the Group's free cash flow (FCF) are used as main financial key performance indicators to assess performance.

Up to and including 2021, financial targets comprise 75% and non-financial targets 25% of the total. From the 2022 financial year onward, the share of non-financial targets will increase to 30%. The target agreements for individual Board of Management members for 2021 include an employee target as a non-financial ESG metric as well as additional individual targets that reflect the individual activities and priorities of the individual Board of Management members in the respective financial year.

From 2022 onward, the non-financial targets will be sustainability targets. Sustainability is a core element of the company's Strategy 2025. Together with its stakeholders, Deutsche Post has identified key topics for the Group which can be broken down into the ESG topics of environment, social responsibility and governance. Going forward, the three ESG topics will each be weighted at 10% in the target portfolio for the annual bonus. Linking ESG criteria to the Board of Management remuneration further underscores the significance of sustainability for the Group. In the area of social responsibility, the employee target "Employee engagement" will be retained. In the environmental area, the improvement of energy efficiency will be added. In 2022, the focus with respect to governance will be placed on preventing corruption and bribery. For subsequent years, different ESG targets may be agreed that are based on the Group's strategy and are essential for its implementation (for example, data protection and information security, or increasing the proportion of women in management positions).

The Group pursues clear and measurable targets in the area of sustainability. Beginning in 2022, progress in the respective areas can therefore be objectively and clearly measured using key indicators. More detailed information is disclosed ex post in the remuneration report for the respective financial year.

The performance criteria and their weighting are as follows:

Overview of performance criteria

Performance criterion	Weighting[1]	Incentive effect/Strategic connection
Group EAC	55%/65% From 2022: 50%/60%	• Key performance indicator for the company • Adds a cost of capital component to EBIT to encourage the efficient use of resources and to ensure that the operating business is geared towards increasing value sustainably and generating increasing cash flow
Divisional EAC	0%/10%	• Measurement of individual performance in the respective Board departments • 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 dept or for other purposes (e.g. funding pension obligations)
Non-financial targets (until 2021): • Employee engagement • Individual targets in line with Group strategy	25% (12.5% each)	• 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 • Option of setting operational focal points each year depending on current priorities and the implementation level of the strategy • For example, implementation of digitalisation initiatives necessary for ensuring long-term business success, implementation of measures for improving customer satisfaction

Non-financial targets (from 2022):
• E – improvement of energy efficiency
• S – employee engagement
• G – anchoring compliance as an integral component of all business activities
	30%
	(10% each)
		• Sustainability is a core element of Strategy 2025
		• ESG targets are essential to achieving our corporate mission "Connecting people, improving lives"
		  • E – serves the implementation of the target of reducing all logistics-related emissions to zero
		  • S – measures progress in achieving the target of becoming "employer of choice"
		  • G – incentivises operating in accordance with ethical standards and, in doing so, fosters the minimisation of business risks

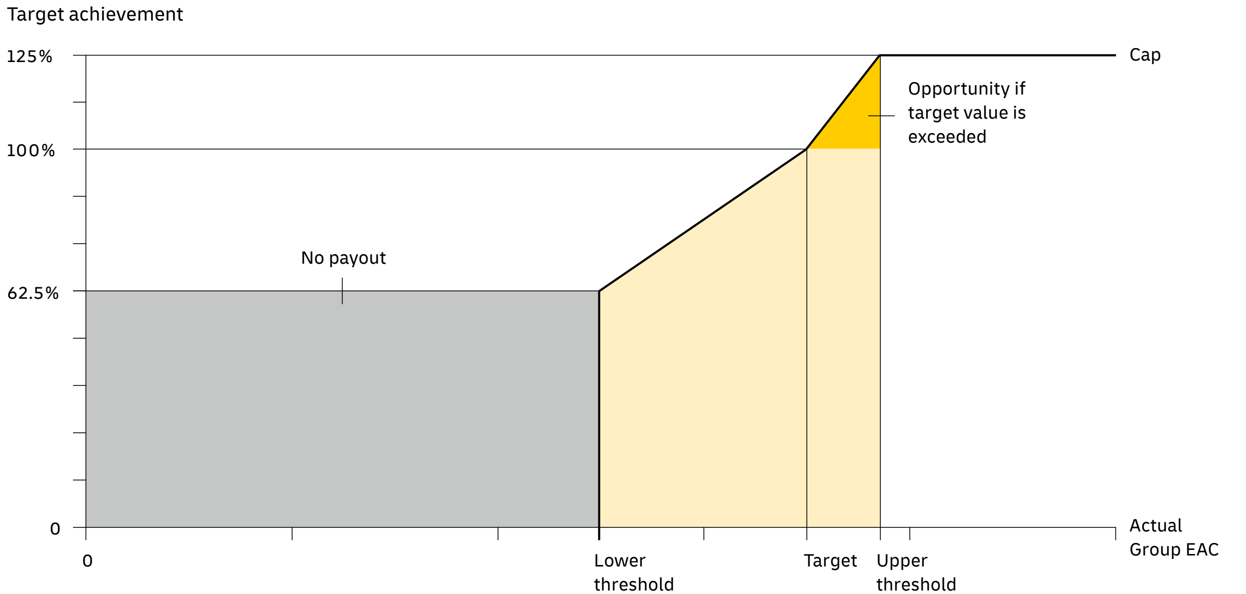
[1] Group EAC is weighted at 65% for the Chairman of the Board of Management, the CFO and the Board of Management member responsible for Human Resources. From 2022 onward, Group EAC will be weighted at 60%. In isolated cases, the Supervisory Board may change the weighting of the performance criteria for strategic reasons at the beginning of a performance period. Even if their weightings are changed, financial objectives should comprise a share of at least 75% and, beginning in 2022, at least 70%.

Target agreement and achievement

When defining target values and the lower and upper thresholds, the Supervisory Board ensures that targets are both adequate and ambitious. If the lower threshold of a performance criterion is not reached, the share of variable remuneration attributable to this criterion will decrease to zero. If the upper threshold of a performance criterion is exceeded, the share of variable remuneration attributable to this criterion is capped to a maximum amount. This approach provides for a balanced risk/opportunity profile in the remuneration system.

The actual amount of the annual bonus is based on the degree to which the predefined performance criteria have been met. The target amount for an overall target achievement of 100% is set at 80% of the base salary. The target achievement of each performance criterion can range between 0% and 125% (upper threshold). In case of a target achievement of less than 62.5% (lower threshold), the performance criterion has not been met; there will be no payout. In case of maximum target achievement, the payout amount resulting from target achievement is limited to 100% of the base salary. Using Group EAC as an example, the payout curve is as follows:

Payout curve



More detailed information on the target agreements and target achievement is shown under **Remuneration of the Group Board of Management in the 2020 financial year.**

Adjustment in case of exceptional developments

From the 2022 financial year onward, the Supervisory Board may adjust the calculated annual bonus in case of exceptional developments by increasing or decreasing the amount by up to 20% (bonus/malus option). The Supervisory Board will increase or decrease the annual bonus as calculated on the basis of the target achievement if it does not adequately reflect the actual performance of a member of the Board of Management in the overall picture. In particular, potential situations in which this may occur are: exceptional successes or failures with regard to the sustainable development or reorganisation of Deutsche Post DHL Group, exceptional developments and/or an exceptional change in market circumstances, exceptional innovations or specific lapses in management conduct and integrity. After exercising the option for an increase or decrease for exceptional developments, the maximum amount of the annual bonus can therefore amount to 120% of the base salary.

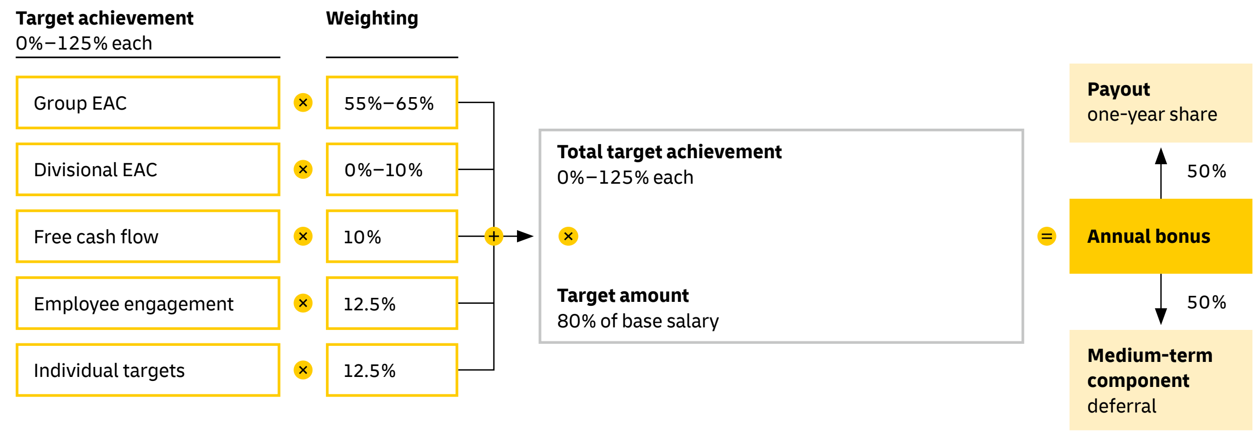
Should the Supervisory Board adjust the amount of the annual bonus on this basis, a detailed explanation will be published in the following year's remuneration report which is submitted to the Annual General Meeting for approval.

Transfer to the medium-term component

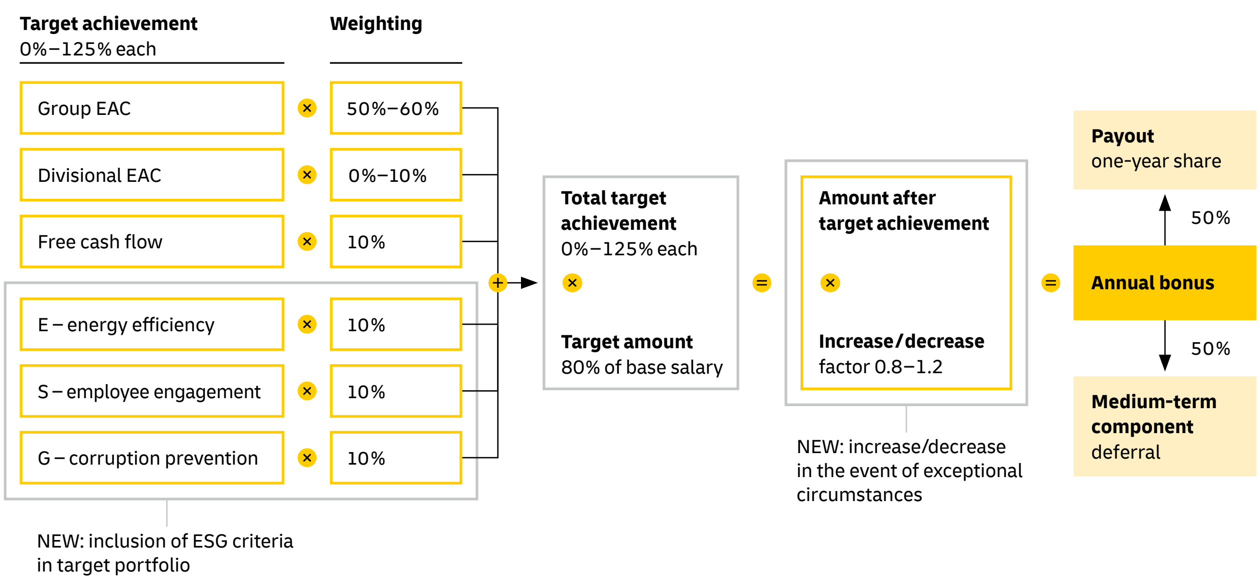
50% of the annual bonus, determined based on target achievement, and from 2022 onward, if applicable, a possible increase or decrease, will be paid out after the consolidated financial statement for the respective financial year has been approved.

The remaining 50% is transferred to a multi-year remuneration component, the medium-term component (deferral). A payout from the medium-term component will only be made after a two-year sustainability phase has expired and if, in addition, the sustainability criterion EAC has been achieved during this period. To meet this criterion, EAC must either be greater at the end of the sustainability period than it was in the initial year, or cumulative EAC must be positive during the sustainability phase, i.e. the cost of capital (including the asset charge on goodwill) must be covered at minimum. Because this is exclusively a malus arrangement, overfulfillment does not increase the amount paid out. If the sustainability criterion is not met, the deferral will not be paid out; it shall expire with no replacement.

Calculation of annual bonus (until 2021)



Calculation of annual bonus (from 2022)



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

As a long-term component, the company grants members of the Board of Management a share-price-based cash remuneration by issuing stock appreciation rights (SARs) on an annual basis. With a term of up to six years per tranche, the LTIP provides an incentive for the long-term and sustainable development of the company. Prior to the grant date of the respective tranche, the Board of Management members are required to deposit a personal investment of 10% of their base salary at the grant date, primarily in shares of the company. The personal investment must be held throughout the lock-up period. If a member of the Board of Management reclaims the personal investment before the lock-up period ends, all SARs from the respective tranche lapse.

Each year, members of the Board of Management are granted a number of SARs with a four-year lock-up period and a value of 100% of the base salary on the grant date; the number of SARs resulting from the grant value is calculated by the company actuary using financial mathematics and rounded to the nearest figure divisible by six. The Board of Management members receive remuneration from the granted SARs no earlier than upon expiry of the lock-up period. After the lock-up period has expired, the first step is determining whether the predefined performance targets have been met. Six share price based performance targets have been defined, two of which include a comparison with an index, in accordance with the Group's strategic bottom line of being the investment of choice. The performance targets are not linked to the payment of a dividend. Upon achievement of each performance target, one-sixth of the SARs granted at the beginning of the lock-up period becomes exercisable.

Four performance targets can be achieved through an absolute increase in the price of Deutsche Post shares, 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). The issue price is determined at the start of the lock-up period based on the 20-day average price of Deutsche Post shares prior to the grant date. The final closing price is determined at the end of the four-year lock-up period based on the 60-day average price before the lock-up period expires. The four absolute share price targets emphasise the importance of the company's long-term development and value growth, while gearing the Board of Management remuneration firmly toward the interests of shareholders.

The two further performance targets are linked to the performance of Deutsche Post shares in relation to the performance of the STOXX Europe 600 Index. Those targets are achieved if the share price equals the index performance or if it outperforms the index by more than 10% (relative share price targets). Here too, the performance of the index is determined on the basis of the 20-day or 60-day average. This also places focus on the performance of the company compared to that of the market. In the medium term, the Supervisory Board is considering including ESG criteria derived from the Group Strategy into the long-term component.

Mechanism of stock appreciation rights

SAR performance targets	Thresholds	Number of exercisable SARs
Performance versus STOXX Europe 600	+10%	1/6
	+0%	1/6
Absolute increase in share price	+25%	1/6
	+20%	1/6
	+15%	1/6
	+10%	1/6

SARs may be exercised on one or more occasions within an exercise period of two years after expiration of the lock-up period in compliance with insider trading regulations; any SARs not exercised during this period will lapse.

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 issue price determined at the start of the four-year lock-up period. The Board of Management member therefore only receives a payout if the share price exceeds the issue price of the SARs. In this way, the LTIP creates an incentive to increase the price of Deutsche Post shares for a period of up to six years.

For each tranche of the LTIP, the Chairman of the Board of Management is entitled to receive a maximum amount of two-and-a-half times his base salary, whilst regular Board of Management members are entitled to receive a maximum amount of four times their base salary.

Non-exercisable SARs lapse without replacement if a member of the Board of Management leaves the company, unless one of the following exceptions applies: provided that the performance targets have been met at the end of the lock-up period, SARs that have already been allocated may be exercised until the end of the respective exercise period if a Board of Management member resigns at the instigation of the company before the end of the agreed contractual term or if the employment relationship ends after the end of the agreed contractual term without the company offering to renew the member's contract. The same applies if a member retires or takes early retirement. In the event of termination upon a change of control, a Board of Management member may exercise the already granted SARs after the four-year lock-up period expires, should the exercise requirements governed in the respective plan conditions be met by the end of the respective exercise period.

If none of these exceptions apply, any exercisable SARs at the time of departure must be exercised within six months of termination of employment, otherwise they too will lapse without replacement. In the event of death, the company shall exercise the SARs without delay.

3. Cap on variable remuneration and maximum total remuneration

The Supervisory Board has defined upper limits for all variable remuneration components granted to Board of Management members. As previously explained, the maximum amount that can be received from the annual bonus, including the deferred portion (deferral), is limited to 100% of the base salary until year 2021. From 2022 onward, the maximum amount can be 120% of the base salary if the option for an increase is applied due to exceptional circumstances; usually, the maximum amount is limited to 100% of the base salary. For each tranche of the LTIP, the Chairman of the Board of Management is entitled to receive a maximum amount of two-and-a-half times his base salary, whilst regular Board of Management members are entitled to receive a maximum amount of four times their base salary. In addition, the Supervisory Board may limit the payout amount in the event of exceptional developments.

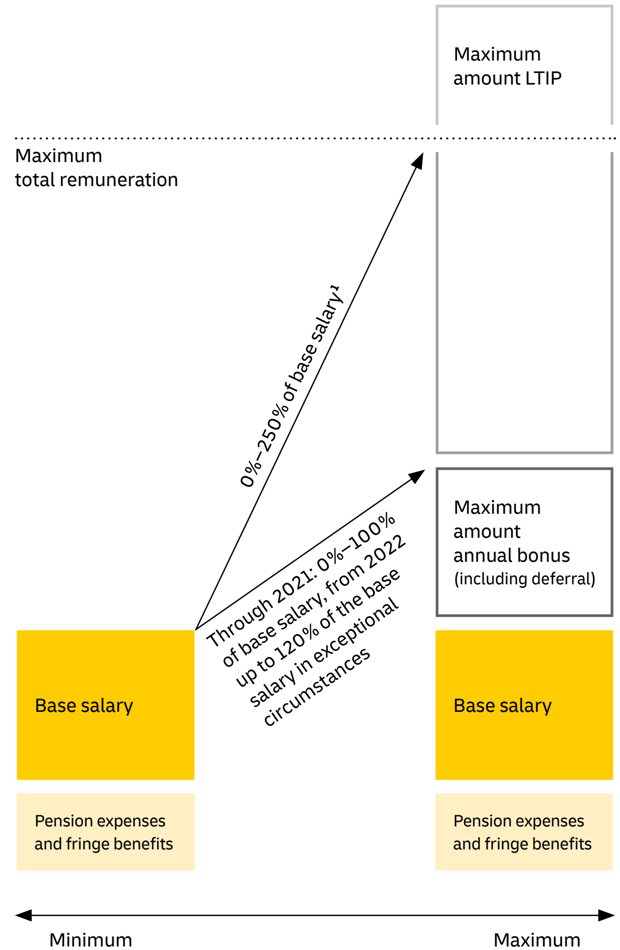
The remuneration system also provides for an overall cap on the amount paid out. First of all, this limits the remuneration granted in a specific financial year. For regular Board of Management members, the cap on remuneration granted is €5 million excluding fringe benefits until 2020 and €5.15 million including fringe benefits from 2021 onwards. For the Chairman of the Board of Management, remuneration granted is capped at €8 million excluding fringe benefits until 2020 and €8.15 million including fringe benefits from 2021 onwards. Starting in the 2022 financial year, the payments attributable to a financial year are also capped at €5.15 million and €8.15 million, respectively. In the event a compensation payment is made in accordance with number 1, the overall cap for the Board of Management member receiving the payment increases by the compensation amount.

Example of remuneration components included

Total cap on remuneration granted: Example for 2020	**Total cap on remuneration granted: Example for 2021**	**Total cap on amounts paid out: Example for 2022**
Remuneration components included	**Remuneration components included**	**Remuneration components included**
• Long-Term Incentive Plan 2020 tranche • Deferral from 2020 annual bonus • Proportion of 2020 annual bonus for immediate payout • Base salary 2020 • Pension expense (service cost[1]) 2020	• Long-Term Incentive Plan 2021 tranche • Deferral from 2021 annual bonus • Proportion of 2021 annual bonus for immediate payout • Fringe benefits 2021 • Base salary 2021 • Pension expense (service cost[1]) 2021	• Long-Term Incentive Plan 2016/2017/2018[2] tranches • Deferral from 2020 annual bonus • Proportion of 2022 annual bonus for immediate payout • Fringe benefits 2022 • Base salary 2022 • Pension expense (service cost[1]) 2022

[1] In case of payout of a pension substitute: amount of pension substitute.
[2] The payment date depends on the date of exercise within the two-year exercise period.

Total remuneration range for the Chairman of the Board of Management



[1] The maximum amount from the LTIP is 400% of the base salary for the regular members of the Board of Management.

4. Other contractual terms and conditions

MALUS AND CLAWBACK PROVISIONS RELATING TO VARIABLE REMUNERATION

Recommendation G.11 of the German Corporate Governance Code as amended on 20 March 2020 states that the Supervisory Board should have the possibility to account for exceptional developments to an appropriate extent. In justified cases, the Supervisory Board should be permitted to retain or reclaim variable remuneration. The first recommendation has been complied with in that SARs are granted on the condition that the Supervisory Board may limit the payout amount in the event of exceptional developments. From 2022 onward, the Supervisory Board may also increase or decrease the annual bonus in the event of exceptional developments by up to 20% in each instance. The second recommendation has been met in the form of a retention in that the variable remuneration components may be omitted in part or in full. Moreover, 50% of the annual bonus resulting from the target achievement is transferred into the medium-term component and is subject to a two-year sustainability phase. This medium-term component will be completely withheld if the sustainability target EAC is not met during the sustainability phase. The SARs granted are clawed back and lapse without replacement if and to the extent that the absolute or relative performance targets are not met during the four-year lock-up period. The statutory clawback rules are applied additionally within the statutory limitation periods.

SHARE OWNERSHIP

The targets for the LTIP are based on share price, ensuring that Board of Management remuneration is strongly and directly linked to, and aligned with, the interests of our shareholders. For each SAR tranche, a Board of Management member is entitled to receive at most two-and-a-half times (Chairman of the Board of Management) or four times (regular Board of Management members) their base salary, provided the cap on total remuneration is not met first. Even considering a one-year horizon, this provides an incentive for focusing upon share price that far exceeds one annual base salary. This effect is multiplied over several years. Furthermore, participation in the LTIP requires Board of Management members to make a personal investment of 10% of their base salary by the grant date per tranche, primarily in company shares.

CONTRACTUAL TERM AND COMMITMENTS ASSOCIATED WITH CESSATION OF SERVICE ON THE BOARD OF MANAGEMENT

Initial appointments to the Board of Management are generally made for a contract term of three years. Reappointments are usually made for a term of five years.

Termination upon change of control

In the event of a change of control, Board of Management members are entitled to resign from office for good cause within a period of six months following the change of control, after giving three months' notice to the end of the month and to terminate their Board of Management contract (right to early termination). The severance payment claim previously provided for in the event of the exercise of the right to early termination will no longer apply from the 2021 financial year.

Disability or death

If a Board of Management member is temporarily unable to work due to illness, accident or another reason for which the Board of Management 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 shall 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 annual fixed 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.

Termination by mutual consent

In the event of mutually agreed termination prior to the end of an appointment term at the instigation of the company, all commitments under the employment contracts shall be fulfilled by the time of departure. Variable remuneration components are paid out pursuant to the originally agreed conditions and at the originally agreed times. Variable remuneration components are not paid out early. In accordance with the Code recommendation, 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 from LTIPs. No severance will be paid if the mutually agreed, early termination is instigated by the Board of Management member; the annual bonus will be paid out pro rata in accordance with the level of target achievement of the Board of Management member at the end of the assessment period. Any claims arising from the LTIP are subject to the provisions therein.

Post-contractual non-compete clause

After leaving the Board of Management, Board of Management members are subject to a one-year non-compete period. During this period, the company pays compensation to the Board of Management member in an amount equivalent to the member's base salary. Any other income is subtracted from this compensation. In accordance with the Code recommendation, a severance payment is subtracted from the compensation paid. Any pension payments are also subtracted from the compensation. Prior to, or concurrent with, the end 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.

Income from mandates

Members of the Board of Management shall assume mandates on supervisory boards, boards of administration and advisory boards, as well as similar functions or activities in companies in which the company holds a direct or indirect interest, as well as functions or activities in associations or organisations of which the company is a member ("Group mandates"). Any resulting remuneration must be fully transferred to the company.

Prior approval from the Supervisory Board's Executive Committee is required before any offices can be held or work performed at external entities. Remuneration received from such activities is not transferred to the company.

Remuneration of the Group Board of Management in the 2020 financial year

In the following, the application of the remuneration system for Board of Management members in the 2020 financial year is described. This includes detailed information on total remuneration, on targets and target achievement of variable remuneration components as well as a breakdown of remuneration paid to individual Board of Management members.

IMPACTS OF THE PANDEMIC

In the current global health crisis, our logistics services and our worldwide network play a crucial role – whether for shipping medical equipment and supplies to healthcare workers, for delivering important merchandise to residential customers or for providing solutions to companies to help them remain in business. Therefore, ever since the pandemic set in, it has been necessary to continually adapt the business processes of Deutsche Post DHL Group in order to mitigate potential impacts, whilst placing top priority on ensuring the safety of our employees and our customers. Our global operations in more than 220 countries and territories with more than 570,000 employees worldwide and our very large number of business and private customers require us to respond quickly to the constantly changing pandemic situation with strong regional variations. This has necessitated taking finely tuned, coordinated action at all times in an evolving situation. Our agile responses enabled us to handle the economic uncertainties and operating challenges brought by the COVID-19 pandemic in 2020 and to maintain our business operations. The Group even added some 25,000 additional jobs while also paying its employees all over the world a special bonus of €300 each in recognition of their outstanding achievements during the pandemic. Moreover, the Group's management had already laid the foundation that would permit the company to benefit from an acceleration of the structural trends seen in 2020 through its targeted build-up of e-commerce activities. The Group's good business performance – as reflected in the key performance metrics for the Group and the divisions and thus in the Board of Management's level of target achievement – rests on successful management of the company in both the short and long term. However, the changed economic climate impacted the long-term remuneration components for the reporting year, with significantly fewer SARs having been granted in the 2020 financial year compared with the prior year due, amongst other things, to the crisis-related volatility of Deutsche Post shares. In an overall view, the remuneration system for the Board of Management thus suitably reflects all of the impacts of the pandemic.

Tim Scharwath's and Thomas Ogilvie's base salaries were increased in the reporting year due to contractual arrangements made back in 2019. The salary increase reflects the Group's long-standing practice to adjust base salaries at the second term of appointment, starting from low entry-level salaries compared to the DAX peer Group.

The remuneration paid to Melanie Kreis was also adjusted as at 1 November 2020 due to the Group's long-standing practice to review remuneration after six years of service and as is contractually stipulated. In 2020, the effect amounts to €7,750 in the base salary compared to the prior year. The decision not to exempt Melanie Kreis from the usual salary adjustments was made by the Supervisory Board in 2020 after careful consideration, which included taking the company's situation during the pandemic into account. In the case of Melanie Kreis and Tim Scharwath, these salary adjustments did not result in higher total target remuneration; in fact the total target remuneration decreased from the previous year.

TOTAL REMUNERATION

Remuneration totalling €12.56 million was paid to members of the Board of Management in the 2020 financial year (previous year: €13.62 million) in accordance with the applicable accounting standards. Of that amount, €8.26 million (previous year: €8.15 million) was attributable to non-performance-related components and €4.30 million (previous year: €5.47 million) to performance-related components consisting of annual bonus payments (including the 2018 deferral). An additional €3.88 million (previous year: €2.88 million) of the annual bonus was transferred to the medium-term component (deferral) and will be paid out in 2023 subject to reaching the EAC sustainability indicator.

In the 2020 financial year, Board of Management members were additionally granted a total of 816,498 SARs (previous year: 2,322,978 SARs), which at the issue date were valued at €8.00 million (previous year: €9.90 million).

BASE SALARY AND FRINGE BENEFITS

The base salaries of regular Board of Management members ranged from €715,000 to €1,005,795. The Chairman of the Board of Management received a base salary of €2,060,684.

In the 2020 financial year, Board of Management members received fringe benefits in the amount of between approximately 1% and 10% of their base salary.

PENSION COMMITMENTS

The following overview presents a breakdown of contributions made for contribution based pension commitments in the 2020 financial year as well as the present value of defined benefit obligations (DBOs).

Contribution based pension commitments

€	Total contribution for 2019	Total contribution for 2020	Present value (DBO) as at 31 Dec. 2019	Present value (DBO) as at 31 Dec. 2020
Ken Allen	352,028	352,028	3,888,461	4,378,058
Oscar de Bok (since 1 October 2019)	62,563	250,250	517,661	788,925
Melanie Kreis	325,500	325,500	2,294,996	2,863,862
Tobias Meyer (since 1 April 2019)	187,688	250,250	745,611	1,147,360
Thomas Ogilvie	250,250	301,000	758,257	1,240,551
John Pearson (since 1 January 2019)	250,250	250,250	267,327	549,361
Tim Scharwath	250,250	301,000	711,698	1,092,752
Total	**1,678,529**	**2,030,278**	**9,184,011**	**12,060,869**

Final salary-based legacy pension commitment to the Board of Management Chair: individual breakdown

	Pension commitments				
	Pension level on 31 Dec. 2019 %	Pension level on 31 Dec. 2020 %	Maximum pension level %	Present value (DBO) as at 31 Dec. 2019 €	Present value (DBO) as at 31 Dec. 2020 €
Frank Appel, Chairman	50	50	50	26,570,684	31,533,867
Total				**26,570,684**	**31,533,867**

Former members of the Board of Management or their surviving dependants received benefits in the amount of €8.9 million in the 2020 financial year (previous year: €6.3 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs was €105 million (previous year: €100 million).

ANNUAL BONUS INCLUDING MEDIUM-TERM COMPONENT (DEFERRAL), 2020

In 2020, the target agreements with the Board of Management members reflected the Overview of performance criteria table and their weighting as determined by the remuneration system.

In the 2020 financial year, the performance targets for the financial performance criteria corresponded to the figures budgeted in December 2019. In setting the targets for 2020, it has already been agreed with the Board of Management members who are division heads that any effects on Group EAC arising from StreetScooter will not be taken into account when calculating their levels of target achievement.

Target achievement for 2020 annual bonus

Performance criterion	Target amount €m	Actual amount €m	Level of target achievement %
Group EAC[1]	2,070	2,212	125.00
	2,111[2]	2,535[2]	125.00
Divisional EAC[1]			
Post & Parcel Germany	1,023	1,050	120.45
Global Forwarding, Freight	111	74	85.98
Express	1,079	1,697	125.00
Supply Chain	237	–44	0.00
eCommerce Solutions	–38	67	125.00
Free cash flow	1,129	2,535	125.00
Employee Engagement score (%)	77	82	125.00

[1] Including the asset charge on goodwill before goodwill impairment.
[2] Without StreetScooter.

In addition, individual targets were agreed on to ensure that the remuneration of individual Board of Management members reflects their own performance in addition to the collective performance of the Board of Management as a whole. The individual targets focussed on the operational priorities of the financial year and the status of strategy implementation. The majority of targets agreed on with Board of Management members in the reporting year related to the respective Board department's digital transformation initiatives, which are necessary for lasting business success.

Based upon the level of target achievement determined, the average annual bonus (including deferral) amounted to 97.49% of one base salary. The annual bonus amount paid out to each individual Board of Management member is shown in the Payments table. Equivalent amounts were transferred to the medium-term component (deferral) and are eligible for payout in the spring of 2023, if the costs of capital are covered at minimum at the end of the two-year sustainability phase. The deferred amounts otherwise lapse without replacement.

MEDIUM-TERM COMPONENT (DEFERRAL), 2018

The requirement for payout of the share of the annual bonus deferred in 2018 was likewise that the costs of capital be covered at minimum at the end of the two-year sustainability phase, i.e. that EAC at the end of the sustainability phase exceed EAC for the base year, or that cumulative EAC be positive during the sustainability phase. Both of those requirements were met. The individual amounts paid out from the 2018 Deferral are shown in the Payments table.

LONG-TERM COMPONENTS (LTIP), 2016 TRANCHE

The lock-up period for the 2016 SAR tranche granted four years previously ended on 31 August 2020. The 60-day average price of Deutsche Post shares, which is used to calculate absolute target achievement, was about 23% higher than the initial value recorded in 2016. This means that three of the four absolute share price targets were met. The shares' performance relative to the STOXX Europe 600 was approximately 16%. Both of the relative share price targets were therefore met. In total, five of six performance targets were met, meaning that five-sixths of the SARs granted in the 2016 financial year have become exercisable. Board of Management members are able to exercise these SARs until 31 August 2022. One-sixth of the SARs originally granted lapsed without replacement.

LONG-TERM COMPONENTS (LTIP), 2020 TRANCHE

On 1 September 2020, the members of the Board of Management were again granted SARs by way of the 2020 tranche. The number of SARs granted to individual Board of Management members corresponded to their individual base salaries at the date of granting. The value of one SAR at the grant date was computed by the company actuary and amounted to €9.80.

Long-Term Incentive Plan: number of SARs granted

Quantity

	SARs 2019 tranche	SARs 2020 tranche
Frank Appel, Chairman	656,568	210,276
Ken Allen	336,210	102,636
Oscar de Bok (since 1 October 2019)	–	72,960
Melanie Kreis	310,878	94,902
Tobias Meyer (since 1 April 2019)	239,010	72,960
Thomas Ogilvie	253,824	94,902
John Pearson (since 1 January 2019)	239,010	72,960
Tim Scharwath	287,478	94,902

A comparison of SARs granted indicates that in the 2020 financial year, individual Board of Management members generally received less than one-third of the SARs granted in the previous year. One reason for this is that the SARs granted in the 2019 financial year corresponded on average to 139% of the respective Board of Management member's base salary at the grant date. In contrast, in the 2020 financial year, SARs in the amount of 100% of the individual member's base salary were granted to all Board of Management members. Another reason is that the value of a single SAR increased significantly compared with the previous year, mainly due to a substantial increase in the volatility of Deutsche Post shares during the pandemic, meaning that fewer SARs could be granted under this aspect as well.

At the grant date (1 September 2020), the index started out at 368.10 points. The issue price was €37.83. Payments from the 2020 tranche will be made no earlier than 1 September 2024, assuming that some of the total of six share price targets are met. If none of the targets are met, the SARs will lapse without replacement, which means that they will never give rise to any payments. The value of the SARs granted to the individual Board of Management members in the 2020 financial year is presented in the Target remuneration table.

The following table summarises the basic information on each of the tranches whose lock-up periods or exercise periods were still in effect in the 2020 financial year:

SAR tranches

Tranche	Date granted	Issue price (exercise price) €	End of the waiting period	End of the exercise period
2014	1 September 2014	24.14	31 August 2018	31 August 2020
2015	1 September 2015	25.89	31 August 2019	31 August 2021
2016	1 September 2016	28.18	31 August 2020	31 August 2022
2017	1 September 2017	34.72	31 August 2021	31 August 2023
2018	1 September 2018	31.08	31 August 2022	31 August 2024
2019	1 September 2019	28.88	31 August 2023	31 August 2025
2020	1 September 2020	37.83	31 August 2024	31 August 2026

BENEFITS ASSOCIATED WITH CESSATION OF SERVICE ON THE BOARD OF MANAGEMENT

No such benefits were required to be extended as no Board of Management members left the Board in the 2020 financial year.

LOANS

The company did not extend any loans to Board of Management members.

REMUNERATION AMOUNT

The following tables, which are based on the reference tables contained in the German Corporate Governance Code as amended on 7 February 2017, provide a detailed breakdown of the remuneration granted to (target remuneration) and remuneration received (payments) by the members of the Board of Management.

In addition to the base salary and fringe benefits, the Target remuneration table indicates the target amount of the annual bonus (including deferral) granted in the 2020 financial year. This is the amount upon target achievement of 100%. Moreover, the long-term component granted in the reporting year (2020 tranche) is reported at fair value on the grant date. With respect to pension commitments, the pension expense, i.e. the service cost in accordance with IAS 19, is presented. The presentation is supplemented by the minimum and maximum values that can be achieved.

The Payments table contains the same figures for base salary and fringe benefits as the Target remuneration table. With respect to the one-year variable remuneration, the payments made for the 2020 financial year (amount paid out) are indicated. With regard to the medium-term component (the deferral), the payment amount reported is that of the deferral whose calculation period ended upon expiry of the year under review, which in the reporting year was the 2018 deferral. The table also reflects the amount paid out from the tranches of the long-term components that were exercised in the 2020 financial year. The pension expense (service cost pursuant to IAS 19) incurred for pension plans is also included in line with the previous "Payments" reference table.

All amounts are shown in comparison with the prior-year figures. The individual remuneration tables conclude with a breakdown of remuneration in accordance with the HGB and GAS 17.

Target remuneration

€	Frank Appel Chairman				Ken Allen eCommerce Solutions			
	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020
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	50,933	49,759	49,759	49,759	100,672	101,726	101,726	101,726
Total	**2,111,617**	**2,110,443**	**2,110,443**	**2,110,443**	**1,106,467**	**1,107,521**	**1,107,521**	**1,107,521**
Annual bonus: one-year share	824,274	824,274	0	1,030,342	402,318	402,318	0	502,898
Multi-year variable remuneration	3,621,254	2,884,979	0	6,182,053	1,834,573	1,408,151	0	4,526,078
LTIP with four-year lock-up period	2,796,980	2,060,705	0	5,151,711	1,432,255	1,005,833	0	4,023,180
Annual bonus: deferred with three-year deferral period	824,274	824,274	0	1,030,342	402,318	402,318	0	502,898
Total	**6,557,145**	**5,819,696**	**2,110,443**	**9,322,838**	**3,343,358**	**2,917,990**	**1,107,521**	**6,136,497**
Pension expense (service cost)	1,093,499	1,280,054	1,280,054	1,280,054	348,733	351,897	351,897	351,897
Total remuneration	**7,650,644**	**7,099,750**	**3,390,497**	**10,602,892**	**3,692,091**	**3,269,887**	**1,459,418**	**6,488,394**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2020				**8,000,000**				**5,000,000**

	Oscar de Bok Supply Chain (since 1 October 2019)				Melanie Kreis Finance			
	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020
Base salary	178,750	715,000	715,000	715,000	930,000	937,750[1]	937,750	937,750
Fringe benefits	13,499	21,856	21,856	21,856	20,674	17,849	17,849	17,849
Total	**192,249**	**736,856**	**736,856**	**736,856**	**950,674**	**955,599**	**955,599**	**955,599**
Annual bonus: one-year share	71,500	286,000	0	357,500	372,000	375,100	0	468,875
Multi-year variable remuneration	71,500	1,001,008	0	3,217,500	1,696,340	1,305,140	0	4,188,875
LTIP with four-year lock-up period	–	715,008	0	2,860,000	1,324,340	930,040	0	3,720,000
Annual bonus: deferred with three-year deferral period	71,500	286,000	0	357,500	372,000	375,100	0	468,875
Total	**335,249**	**2,023,864**	**736,856**	**4,311,856**	**3,019,014**	**2,635,839**	**955,599**	**5,613,349**
Pension expense (service cost)	–	225,189	225,189	225,189	309,440	346,444	346,444	346,444
Total remuneration	**335,249**	**2,249,053**	**962,045**	**4,537,045**	**3,328,454**	**2,982,283**	**1,302,043**	**5,959,793**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2020				**n.a.**				**5,000,000**

	Tobias Meyer Post & Parcel Germany (since 1 April 2019)				Thomas Ogilvie Human Resources and Corporate Incubations			
	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020
Base salary	536,250	715,000	715,000	715,000	763,333	883,333[2]	883,333	883,333
Fringe benefits	20,045	21,649	21,649	21,649	14,079	12,578	12,578	12,578
Total	**556,295**	**736,649**	**736,649**	**736,649**	**777,412**	**895,911**	**895,911**	**895,911**
Annual bonus: one-year share	214,500	286,000	0	357,500	305,333	353,333	0	441,667
Multi-year variable remuneration	1,232,683	1,001,008	0	3,217,500	1,386,623	1,283,373	0	4,161,667
LTIP with four-year lock-up period	1,018,183	715,008	0	2,860,000	1,081,290	930,040	0	3,720,000
Annual bonus: deferred with three-year deferral period	214,500	286,000	0	357,500	305,333	353,333	0	441,667
Total	**2,003,478**	**2,023,657**	**736,649**	**4,311,649**	**2,469,368**	**2,532,617**	**895,911**	**5,499,245**
Pension expense (service cost)	–	267,454	267,454	267,454	242,938	338,495	338,495	338,495
Total remuneration	**2,003,478**	**2,291,111**	**1,004,103**	**4,579,103**	**2,712,306**	**2,871,112**	**1,234,406**	**5,837,740**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2020				**n.a.**				**5,000,000**

	John Pearson Express (since 1 January 2019)				Tim Scharwath Global Forwarding, Freight			
	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020
Base salary	715,000	715,000	715,000	715,000	799,583	900,833[2]	900,833	900,833
Fringe benefits	86,469	73,916	73,916	73,916	40,620	28,398	28,398	28,398
Total	**801,469**	**788,916**	**788,916**	**788,916**	**840,203**	**929,231**	**929,231**	**929,231**
Annual bonus: one-year share	286,000	286,000	0	357,500	319,833	360,333	0	450,417
Multi-year variable remuneration	1,304,183	1,001,008	0	3,217,500	1,544,489	1,290,373	0	4,170,417
LTIP with four-year lock-up period	1,018,183	715,008	0	2,860,000	1,224,656	930,040	0	3,720,000
Annual bonus: deferred with three-year deferral period	286,000	286,000	0	357,500	319,833	360,333	0	450,417
Total	**2,391,652**	**2,075,924**	**788,916**	**4,363,916**	**2,704,525**	**2,579,937**	**929,231**	**5,550,065**
Pension expense (service cost)	246,341	263,357	263,357	263,357	244,868	261,072	261,072	261,072
Total remuneration	**2,637,993**	**2,339,281**	**1,052,273**	**4,627,273**	**2,949,393**	**2,841,009**	**1,190,303**	**5,811,137**
Cap on the maximum payment amount (excluding fringe benefits) from remuneration granted in 2020				**n.a.**				**5,000,000**

[1] Regular adjustment, see **Impacts of the pandemic.** [2] Regular adjustment contractually agreed in 2019, see **Impacts of the pandemic.**

Payments

€	Frank Appel Chairman		Ken Allen eCommerce Solutions		Oscar de Bok Supply Chain (since 1 October 2019)	
	2019	2020	2019	2020	2019	2020
Base salary	2,060,684	2,060,684	1,005,795	1,005,795	178,750	715,000
Fringe benefits	50,933	49,759	100,672	101,726	13,499	21,856
Total	**2,111,617**	**2,110,443**	**1,106,467**	**1,107,521**	**192,249**	**736,856**
Annual bonus: one-year share	754,520	1,020,039	402,217	502,898	71,482	321,750
Multi-year variable remuneration	5,768,086	5,614,848	1,361,956	1,793,120	–	–
Annual bonus: 2017 deferral	952,351	–	487,945	–	–	–
Annual bonus: 2018 deferral	–	0[1]	–	195,124	–	–
LTIP, 2013 tranche	4,815,735	–	874,011	–	–	–
LTIP, 2014 tranche	–	3,925,166	–	1,597,996	–	–
LTIP, 2015 tranche	–	1,689,682	–	–	–	–
Other	–	–	–	–	–	–
Total	**8,634,223**	**8,745,330**	**2,870,640**	**3,403,539**	**263,731**	**1,058,606**
Pension expense (service cost)	1,093,499	1,280,054	348,733	351,897	–	225,189
Total	**9,727,722**	**10,025,384**	**3,219,373**	**3,755,436**	**263,731**	**1,283,795**

€	Melanie Kreis Finance		Tobias Meyer Post & Parcel Germany (since 1 April 2019)		Thomas Ogilvie Human Resources and Corporate Incubations	
	2019	2020	2019	2020	2019	2020
Base salary	930,000	937,750[2]	536,250	715,000	763,333	883,333[4]
Fringe benefits	20,674	17,849	20,045	21,649	14,079	12,578
Total	**950,674**	**955,599**	**556,295**	**736,649**	**777,412**	**895,911**
Annual bonus: one-year share	335,963	457,153	205,947	356,200	268,388	427,865
Multi-year variable remuneration	405,892	0	–	–	116,188	96,275
Annual bonus: 2017 deferral	405,892	–	–	–	116,188	–
Annual bonus: 2018 deferral	–	0[3]	–	–	–	96,275
LTIP, 2013 tranche	–	–	–	–	–	–
LTIP, 2014 tranche	–	–	–	–	–	–
LTIP, 2015 tranche	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**1,692,529**	**1,412,752**	**762,242**	**1,092,849**	**1,161,988**	**1,420,051**
Pension expense (service cost)	309,440	346,444	–	267,454	242,938	338,495
Total	**2,001,969**	**1,759,196**	**762,242**	**1,360,303**	**1,404,926**	**1,758,546**

	John Pearson Express (since 1 January 2019)		Tim Scharwath Global Forwarding, Freight	
	2019	2020	2019	2020
Base salary	715,000	715,000	799,583	900,833[4]
Fringe benefits	86,469	73,916	40,620	28,398
Total	**801,469**	**788,916**	**840,203**	**929,231**
Annual bonus: one-year share	262,977	357,500	301,043	436,358
Multi-year variable remuneration	–	–	196,780	129,773
Annual bonus: 2017 deferral	–	–	196,780	–
Annual bonus: 2018 deferral	–	–	–	129,773
LTIP, 2013 tranche	–	–	–	–
LTIP, 2014 tranche	–	–	–	–
LTIP, 2015 tranche	–	–	–	–
Other	–	–	–	–
Total	**1,064,446**	**1,146,416**	**1,338,026**	**1,495,362**
Pension expense (service cost)	246,341	263,357	244,868	261,072
Total	**1,310,787**	**1,409,773**	**1,582,894**	**1,756,434**

[1] No payments were made to Frank Appel, who waived his 2018 annual bonus, including the deferred portion, **2018 Annual Report.** [2] Regular adjustment, see **Impacts of the pandemic.** [3] No payments were made to Melanie Kreis, who waived her 2018 annual bonus, including the deferred portion, **2018 Annual Report.** [4] Regular adjustment contractually agreed in 2019, see **Impacts of the pandemic.**

Remuneration in accordance with the HGB (DRS 17)

€

	Frank Appel Chairman		Ken Allen eCommerce Solutions	
	2019	2020	2019	2020
Base salary	2,060,684	2,060,684	1,005,795	1,005,795
Fringe benefits	50,933	49,759	100,672	101,726
Annual bonus: one-year share	754,520	1,020,039	402,217	502,898
Annual bonus: 2017 deferral	952,351	–	487,945	–
Annual bonus: 2018 deferral	–	0[1]	–	195,124
LTIP, 2019 tranche	2,796,980	–	1,432,255	–
LTIP, 2020 tranche	–	2,060,705	–	1,005,833
Total	**6,615,468**	**5,191,187**	**3,428,884**	**2,811,376**

	Oscar de Bok Supply Chain (since 1 October 2019)		Melanie Kreis Finance		Tobias Meyer Post & Parcel Germany (since 1 April 2019)	
	2019	2020	2019	2020	2019	2020
Base salary	178,750	715,000	930,000	937,750[2]	536,250	715,000
Fringe benefits	13,499	21,856	20,674	17,849	20,045	21,649
Annual bonus: one-year share	71,482	321,750	335,963	457,153	205,947	356,200
Annual bonus: 2017 deferral	–	–	405,892	–	–	–
Annual bonus: 2018 deferral	–	–	–	0[3]	–	–
LTIP, 2019 tranche	–	–	1,324,340	–	1,018,183	–
LTIP, 2020 tranche	–	715,008	–	930,040	–	715,008
Total	**263,731**	**1,773,614**	**3,016,869**	**2,342,792**	**1,780,425**	**1,807,857**

	Thomas Ogilvie Human Resources and Corporate Incubations		John Pearson Express (since 1 January 2019)		Tim Scharwath Global Forwarding, Freight	
	2019	2020	2019	2020	2019	2020
Base salary	763,333	883,333[4]	715,000	715,000	799,583	900,833[4]
Fringe benefits	14,079	12,578	86,469	73,916	40,620	28,398
Annual bonus: one-year share	268,388	427,865	262,977	357,500	301,043	436,358
Annual bonus: 2017 deferral	116,188	–	–	–	196,780	–
Annual bonus: 2018 deferral	–	96,275	–	–	–	129,773
LTIP, 2019 tranche	1,081,290	–	1,018,183	–	1,224,656	–
LTIP, 2020 tranche	–	930,040	–	715,008	–	930,040
Total	**2,243,278**	**2,350,091**	**2,082,629**	**1,861,424**	**2,562,682**	**2,425,402**

[1] No payments were made to Frank Appel, who waived his 2018 annual bonus, including the deferred portion, 2018 Annual Report. [2] Regular adjustment, see Impacts of the pandemic. [3] No payments were made to Melanie Kreis, who waived her 2018 annual bonus, including the deferred portion, 2018 Annual Report. [4] Regular adjustment contractually agreed in 2019, see Impacts of the pandemic.

REMUNERATION OF THE SUPERVISORY BOARD

Remuneration for the members of the Supervisory Board is governed by article 17 of the Articles of Association of Deutsche Post AG, according to which Supervisory Board members only receive 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 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 2020 totalled €2.6 million. The following table presents a breakdown of the amounts paid out to each Supervisory Board member.

Remuneration paid to Supervisory Board members

€

	2019			2020		
Board members	Fixed component	Attendance allowance	Total	Fixed component	Attendance allowance	Total
Dr Nikolaus von Bomhard (Chair)	315,000	17,000	**332,000**	315,000	21,000	**336,000**
Andrea Kocsis (Deputy Chair)	245,000	16,000	**261,000**	245,000	19,000	**264,000**
Rolf Bauermeister (until 15 July 2020)	140,000	12,000	**152,000**	75,833	9,000	**84,833**
Dr Günther Bräunig	91,875	6,000	**97,875**	105,000	11,000	**116,000**
Dr Mario Daberkow	70,000	4,000	**74,000**	70,000	6,000	**76,000**
Ingrid Deltenre	105,000	8,000	**113,000**	116,667	14,000	**130,667**
Jörg von Dosky	70,000	4,000	**74,000**	70,000	6,000	**76,000**
Werner Gatzer (until 12 February 2020)	140,000	14,000	**154,000**	17,500	–	**17,500**
Gabriele Gülzau	70,000	4,000	**74,000**	70,000	6,000	**76,000**
Thomas Held	105,000	8,000	**113,000**	105,000	10,000	**115,000**
Dr Heinrich Hiesinger	43,750	3,000	**46,750**	81,667	8,000	**89,667**
Mario Jacubasch	70,000	4,000	**74,000**	70,000	6,000	**76,000**
Thomas Koczelnik	175,000	19,000	**194,000**	175,000	25,000	**200,000**
Thorsten Kühn (since 28 August 2020)	–	–	**–**	37,917	4,000	**41,917**
Dr Jörg Kukies (since 16 April 2020)	–	–	**–**	99,167	16,000	**115,167**
Ulrike Lennartz-Pipenbacher	70,000	4,000	**74,000**	70,000	6,000	**76,000**
Simone Menne	105,000	11,000	**116,000**	105,000	16,000	**121,000**
Roland Oetker (until 27 August 2020)	140,000	12,000	**152,000**	93,333	9,000	**102,333**
Lawrence Rosen (since 27 August 2020)	–	–	**–**	26,250	2,000	**28,250**
Dr Stefan Schulte	140,000	11,000	**151,000**	140,000	16,000	**156,000**
Stephan Teuscher[1]	105,000	11,000	**116,000**	116,667	18,000	**134,667**
Stefanie Weckesser	105,000	11,000	**116,000**	105,000	16,000	**121,000**
Prof. Dr-Ing. Katja Windt	70,000	4,000	**74,000**	70,000	6,000	**76,000**

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

INCOME STATEMENT

1 January to 31 December

€m	Note	2019	2020
Revenue	10	63,341	66,806
Other operating income	11	2,351	2,095
Changes in inventories and work performed and capitalised	12	239	292
Materials expense	13	–32,070	–33,794
Staff costs	14	–21,610	–22,234
Depreciation, amortisation and impairment losses	15	–3,684	–3,830
Other operating expenses	16	–4,431	–4,454
Net income from investments accounted for using the equity method	24	–8	–34
Profit from operating activities (EBIT)		**4,128**	**4,847**
Financial income		194	220
Finance costs		–846	–838
Foreign currency losses		–2	–58
Net finance costs	17	**–654**	**–676**
Profit before income taxes		**3,474**	**4,171**
Income taxes	18	–698	–995
Consolidated net profit for the period		**2,776**	**3,176**
attributable to Deutsche Post AG shareholders		2,623	2,979
attributable to non-controlling interests		153	197
Basic earnings per share (€)	19	**2.13**	**2.41**
Diluted earnings per share (€)	19	**2.09**	**2.36**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€m	Note	2019	2020
Consolidated net profit for the period		**2,776**	**3,176**
Items that will not be reclassified to profit or loss			
Change due to remeasurements of net pension provisions	36	–1,068	–1,087
Reserve for equity instruments without recycling		–29	–5
Other changes in retained earnings		3	0
Income taxes relating to components of other comprehensive income	18	75	80
Share of other comprehensive income of investments accounted for using the equity method, net of tax		0	0
Total, net of tax		**–1,019**	**–1,012**
Items that may be subsequently reclassified to profit or loss			
Hedging reserves			
Changes from unrealised gains and losses		–4	11
Changes from realised gains and losses		7	–29
Currency translation reserve			
Changes from unrealised gains and losses		243	–954
Changes from realised gains and losses		30	0
Income taxes relating to components of other comprehensive income	18	–1	7
Share of other comprehensive income of investments accounted for using the equity method, net of tax		2	–8
Total, net of tax		**277**	**–973**
Other comprehensive income, net of tax		**–742**	**–1,985**
Total comprehensive income		**2,034**	**1,191**
attributable to Deutsche Post AG shareholders		1,882	1,009
attributable to non-controlling interests		152	182

BALANCE SHEET

€m	Note	31 Dec. 2019	31 Dec. 2020
ASSETS			
Intangible assets	21	11,987	11,658
Property, plant and equipment	22	21,303	22,007
Investment property	23	25	12
Investments accounted for using the equity method	24	123	73
Non-current financial assets	25	759	746
Other non-current assets	26	395	160
Deferred tax assets	27	2,525	2,390
Non-current assets		**37,117**	**37,046**
Inventories	28	396	439
Current financial assets	25	394	1,315
Trade receivables	29	8,561	8,985
Other current assets	26	2,598	2,815
Income tax assets		232	209
Cash and cash equivalents	30	2,862	4,482
Assets held for sale	31	9	16
Current assets		**15,052**	**18,261**
TOTAL ASSETS		**52,169**	**55,307**

	Note	31 Dec. 2019	31 Dec. 2020
EQUITY AND LIABILITIES			
Issued capital	32	1,236	1,239
Capital reserves	33	3,482	3,519
Other reserves		−700	−1,666
Retained earnings	33	10,099	10,685
Equity attributable to Deutsche Post AG shareholders	34	14,117	13,777
Non-controlling interests	35	275	301
Equity		**14,392**	**14,078**
Provisions for pensions and similar obligations	36	5,102	5,835
Deferred tax liabilities	27	56	36
Other non-current provisions	37	1,650	1,790
Non-current financial liabilities	38	13,736	15,851
Other non-current liabilities	39	360	328
Non-current provisions and liabilities		**20,904**	**23,840**
Current provisions	37	964	1,080
Current financial liabilities	38	3,238	3,247
Trade payables		7,225	7,309
Other current liabilities	39	4,913	5,135
Income tax liabilities		519	611
Liabilities associated with assets held for sale	31	14	7
Current provisions and liabilities		**16,873**	**17,389**
TOTAL EQUITY AND LIABILITIES		**52,169**	**55,307**

CASH FLOW STATEMENT

1 January to 31 December

€m	Note	2019	2020
Consolidated net profit for the period		2,776	3,176
Income taxes		698	995
Net finance costs		654	676
Profit from operating activities (EBIT)		**4,128**	**4,847**
Depreciation, amortisation and impairment losses		3,684	3,830
Net costs/net income from disposal of non-current assets		−465	29
Non-cash income and expense		−57	132
Change in provisions		−506	73
Change in other non-current assets and liabilities		101	−56
Dividend received		3	2
Income taxes paid		−843	−754
Net cash from operating activities before changes in working capital		**6,045**	**8,103**
Changes in working capital			
Inventories		36	−44
Receivables and other current assets		−498	−1,305
Liabilities and other items		466	945
Net cash from operating activities	41	**6,049**	**7,699**
Subsidiaries and other business units		702	5
Property, plant and equipment and intangible assets		138	122
Other non-current financial assets		51	44
Proceeds from disposal of non-current assets		891	171
Subsidiaries and other business units		−14	0
Property, plant and equipment and intangible assets		−3,612	−2,922
Investments accounted for using the equity method and other investments		−8	−13
Other non-current financial assets		−6	−10
Cash paid to acquire non-current assets		−3,640	−2,945
Interest received		82	67
Current financial assets		527	−933
Net cash used in investing activities	41	**−2,140**	**−3,640**

	Note	2019	2020
Proceeds from issuance of non-current financial liabilities		349	2,488
Repayments of non-current financial liabilities		−2,214	−2,488
Change in current financial liabilities		−105	23
Other financing activities		40	−88
Cash paid for transactions with non-controlling interests		−5	−5
Dividend paid to Deutsche Post AG shareholders		−1,419	−1,422
Dividend paid to non-controlling interest holders		−150	−157
Purchase of treasury shares		−11	−45
Proceeds from issuing shares or other equity instruments		11	0
Interest paid		−608	−556
Net cash used in financing activities	41	**−4,112**	**−2,250**
Net change in cash and cash equivalents		**−203**	**1,809**
Effect of changes in exchange rates on cash and cash equivalents		15	−192
Changes in cash and cash equivalents associated with assets held for sale		33	0
Changes in cash and cash equivalents due to changes in consolidated group		0	3
Cash and cash equivalents at beginning of reporting period		3,017	2,862
Cash and cash equivalents at end of reporting period	30	**2,862**	**4,482**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

€m

			Other reserves						
	Issued capital	Capital reserves	Hedging reserves	Reserve for equity instruments without recycling	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	32	33				33	34	35	
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**
Capital increase/decrease	3	13				41	57	1	**58**
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**
Total							**1,882**	**152**	**2,034**
Balance at 31 December 2019	**1,236**	**3,482**	**−5**	**−22**	**−673**	**10,099**	**14,117**	**275**	**14,392**

	Issued capital	Capital reserves	Other reserves: Hedging reserves	Other reserves: Reserve for equity instruments without recycling	Other reserves: Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Balance at 1 January 2020	1,236	3,482	−5	−22	−673	10,099	14,117	275	**14,392**
Dividend						−1,422	−1,422	−165	**−1,587**
Transactions with non-controlling interests			0	0	−3	8	5	−11	**−6**
Changes in non-controlling interests due to changes in consolidated group							0	20	**20**
Capital increase/decrease	3	37				28	68	0	**68**
Total comprehensive income									
Consolidated net profit for the period						2,979	2,979	197	**3,176**
Currency translation differences					−946		−946	−15	**−961**
Change due to remeasurements of net pension provisions						−1,007	−1,007	0	**−1,007**
Other changes			−12	−5		0	−17	0	**−17**
Total							**1,009**	**182**	**1,191**
Balance at 31 December 2020	**1,239**	**3,519**	**−17**	**−27**	**−1,622**	**10,685**	**13,777**	**301**	**14,078**

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 the 2020 financial year are generally based on the same accounting policies used in the 2019 consolidated financial statements. Exceptions to this are the changes in international financial reporting under the IFRSs described in note 4 with an effective date for the Group of 1 January 2020. 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 19 February 2021.

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

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

2 Consolidated group

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

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

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

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

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

Consolidated group

	2019	2020
Number of fully consolidated companies (subsidiaries)		
German	81	81
Foreign	617	633
Number of joint operations		
German	1	1
Foreign	0	0
Number of investments accounted for using the equity method		
German	1	1
Foreign	18	17

No companies were acquired in the 2020 financial year. Changes in the consolidated group are the result firstly of the formation of subsidiaries, and secondly of the change in the method of consolidation for DHL Aero Expreso S.A. (Aero Expreso), Panama, notes 22, 24 and 35.

2.1 Disposal and deconsolidation effects in 2020

Corporate Functions

The sale of facility management company CSG.PB GmbH was completed in March 2020. The company's assets and liabilities had been reported as held for sale as at 31 December 2019. The deconsolidation gain amounted to €1 million.

In December 2020, UK-based TRAILAR Limited and Germany-based TRAILAR GmbH, which specialise in solar and vehicle technology, were sold and deconsolidated. The gain was €1 million.

The deconsolidation gains were reported under other operating income.

Deconsolidation effects

€m

1 January to 31 December 2020	Total
Non-current assets	9
Current assets	6
Cash and cash equivalents	2
ASSETS	**17**
Non-current provisions and liabilities	11
Current provisions and liabilities	5
EQUITY AND LIABILITIES	**16**
Net assets	**1**
Cash consideration received	3
Deconsolidation gain	**2**

2.2 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

The following significant transactions occurred in the 2020 financial year:

Out of total impairment losses amounting to €138 million, €99 million resulted from the adverse impact of lockdown measures during the pandemic and affected the Supply Chain and eCommerce Solutions segments in particular, notes 15 and 24.

At the end of February, the Board of Management decided to transition StreetScooter GmbH into an operator of the existing fleet and to discontinue the production of electric vehicles in the medium term. The net expense incurred in connection with StreetScooter amounted to €318 million. In addition to the result from current StreetScooter operations, this mainly included depreciation and impairment losses on current and non-current assets and restructuring expenses.

The special bonus of €300 paid to each employee in recognition of their service during the pandemic increased staff costs by €163 million, note 14.

In May 2020, Deutsche Post AG issued three straight bonds, each with a principal amount of €750 million and maturing in 2026, 2029 and 2032. The new bonds are earmarked for general company purposes such as the scheduled repayment of existing financial liabilities and the implementation of investment projects already announced.

4 New developments in international accounting under IFRSs

New accounting standards effective in the 2020 financial year

The following standards, changes to standards and interpretations must be applied from 1 January 2020:

Standard	Subject matter and significance
Amendments to References to the Conceptual Framework in IFRS Standards	The revised Conceptual Framework for Financial Reporting is used to develop new standards and interpretations. The definitions of assets and liabilities as well as the guidance on measurement and derecognition, presentation and disclosures were amended. This did not result in any technical amendments to current standards. The amendments merely updated the references to the conceptual framework in existing standards. The conceptual framework itself was not the subject of the endorsement procedure. The consolidated financial statements were not affected.
Amendments to IAS 1 and IAS 8 – Definition of Material	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 anchored in IAS 1. The consolidated financial statements were not materially affected.
Interest Rate Benchmark Reform – Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7	Entities can continue to use hedge accounting and designate new hedging relationships despite the expected replacement of various interest rate benchmarks. The consolidated financial statements were not materially affected.
Amendments to IFRS 3, Business Combinations – Definition of a Business	The amendments relate to the definition of a business and include clearer guidance for distinguishing between a business and a group of assets when applying IFRS 3. According to the amendments, the definition of a business includes having both inputs and at least one substantive process that together are able to create outputs. 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. The consolidated financial statements were not materially affected.

New accounting standards adopted by the EU but only effective in future periods

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

Standard (issue date)	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IFRS 4, Insurance Contracts – Deferral of Effective Date of IFRS 9 (25 June 2020)	1 January 2023	The effective date of IFRS 17, which will replace IFRS 4, was deferred to 1 January 2023. The expiry date of the temporary exemption from IFRS 9 in IFRS 4 was therefore also deferred to 1 January 2023.
Amendment to IFRS 16: COVID-19-Related Rent Concessions (28 May 2020)	1 June 2020	Under certain conditions, the amendment permits lessees not to assess whether rent concessions granted as a direct consequence of the COVID-19 pandemic are lease modifications. If the conditions are met, lessees may instead account for those rent concessions as if they are not lease modifications. The amendment must be applied for annual periods beginning on or after 1 June 2020 and only applies to relevant lease payments before 30 June 2021. The early voluntary application did not materially affect the consolidated financial statements.
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (27 August 2020)	1 January 2021	The amendments simplify the reporting of changes to contractual cash flows and hedge accounting required as a result of IBOR reform. They relate to the actual change in interest rate benchmarks. Application will not have a material effect on the consolidated financial statements.

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

The IASB and the IFRIC issued further standards, amendments to standards and interpretations in the 2020 financial year and in previous years whose application was not mandatory for the 2020 financial year. 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
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (12 February 2021)	1 January 2023	The amendments serve to assist entities with deciding which accounting policies to disclose in their financial statements. The amendment of IAS 1 explains and requires that a disclosure of "material" rather than "significant" accounting policies must be made. To support this approach, the amendments to IFRS Practice Statement 2 demonstrate the application of the concept of materiality to accounting policy disclosures. The effects on the consolidated financial statements are being assessed.
Amendments to IAS 8, Definition of Accounting Estimates (12 February 2021)	1 January 2023	The amendments introduced a new definition of accounting estimates and explain how entities should distinguish changes in accounting estimates from changes in accounting policies. The effects on the consolidated financial statements are being assessed.
IFRS 17, Insurance Contracts (18 May 2017), including amendments to IFRS 17 (25 June 2020)	1 January 2023	IFRS 17 will replace IFRS 4, Insurance Contracts, in future. It outlines the principles governing the recognition, measurement, presentation and disclosure of insurance contracts. The objective of the standard is to ensure that the reporting entity provides relevant information that faithfully represents 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, Reference to the Conceptual Framework (14 May 2020)	1 January 2022	The amendments contain an update to IFRS 3 so that it refers to the 2018 revision of the Conceptual Framework. Additionally, it stipulates that, for transactions within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 to identify liabilities assumed in a business combination instead of the Conceptual Framework. Contingent liabilities are excluded from this requirement. IFRS 3 continues to prohibit recognition of contingent assets. The effects on the consolidated financial statements are being assessed.
Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use (14 May 2020)	1 January 2022	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended. The effects on the consolidated financial statements are being assessed.
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract (14 May 2020)	1 January 2022	The amendment defines the "cost of fulfilling" a contract. All costs that relate directly to the contract must be included when assessing whether a contract is onerous. The effects on the consolidated financial statements are being assessed.
Annual Improvements to IFRSs (2018–2020 Cycle) (14 May 2020)	1 January 2022	The amendments relate to IFRS 1, First-time Adoption of International Financial Reporting Standards; IFRS 9, Financial Instruments; IFRS 16, Leases; and IAS 41, Agriculture. The effects on the consolidated financial statements are being assessed.
Amendments to IAS 1, Classification of Liabilities as Current or Non-current (23 January 2020) and Deferral of the Effective Date	1 January 2023	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 twelve 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. The effective date has been deferred to 1 January 2023 due to the COVID-19 pandemic.

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 the 2020 financial year, currency translation differences amounting to €–961 million (previous year: €275 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:

		Closing rates		Average rates	
Currency	Country	2019 1 EUR =	2020 1 EUR =	2019 1 EUR =	2020 1 EUR =
AUD	Australia	1.6006	1.5878	1.6084	1.6561
CNY	China	7.8215	7.9777	7.7315	7.9017
GBP	United Kingdom	0.8510	0.8984	0.8758	0.8893
HKD	Hong Kong	8.7461	9.5118	8.7715	8.8952
INR	India	80.1796	89.6163	78.8033	84.9217
JPY	Japan	121.8953	126.4647	121.9835	121.8717
SEK	Sweden	10.4491	10.0295	10.5827	10.4793
USD	USA	1.1232	1.2268	1.1197	1.1468

The carrying amounts of non-monetary assets recognised at significant consolidated companies operating in hyperinflationary economies are generally indexed in accordance with IAS 29 and thus reflect the current purchasing power at the reporting date.

In accordance with IAS 21, receivables and liabilities in the financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate as at the reporting date. Currency translation differences are recognised in other operating income and expenses in the income statement. In the 2020 financial year, income of €294 million (previous year: €184 million) and expenses of €308 million (previous year: €179 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 included in the consolidated financial statements. The consolidated financial statements are prepared under the historical cost convention, except for items that are required to be recognised at their fair value.

Revenue and expense recognition

Deutsche Post DHL Group's normal business operations consist of the provision of logistics services comprising 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. There must be a contract with enforceable rights and obligations and, amongst other things, the receipt of consideration must be likely, taking into account the customer's credit quality. Revenue corresponds to the transaction price to which the Group is expected to be entitled. Variable consideration is included in the transaction price when it is highly probable that a significant reversal in the amount of revenue recognised will not occur and to the extent that the uncertainty associated with the variable consideration no longer exists. The Group does not expect to have contracts where the period between the transfer of the promised goods and/or services to the customer and payment by the customer exceeds one year. Accordingly, the promised consideration is not adjusted for the time value of money. For each performance obligation, revenue is either recognised at a point in time or over time. The obligation to perform transport services is fulfilled over time and revenue is recognised over the performance period.

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

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

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

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

Internally generated intangible assets are recognised at cost if it is probable that their production will generate an inflow of future economic benefits and the costs can be reliably measured. In the Group, this concerns internally developed software. If the criteria for capitalisation are not met, the expenses are recognised immediately in income in the year in which they are incurred. In addition to direct costs, the production cost of internally developed software includes an appropriate share of allocable production overhead costs. Any borrowing costs incurred for qualifying assets are included in the production cost. Value added tax arising in conjunction with the acquisition or production of intangible assets is included in the cost if it cannot be deducted as input tax. Capitalised software is amortised over its useful life.

Intangible assets (excluding goodwill) are amortised using the straight-line method over their useful lives. Impairment losses are recognised in accordance with the principles described in the 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 specific factors such as time and location.

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

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

In accordance with IAS 36, the recoverable amount is the asset's fair value less costs to sell or its value in use (present value of the pre-tax free cash flows expected to be derived from the asset in future), whichever is higher. The discount rate used for the value in use is a pre-tax rate of interest reflecting current market conditions. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets to which the asset in question can be allocated and which independently generates cash flows (cash generating unit – CGU). If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in respect of the asset. If it can be determined, the fair value or value in use of the individual assets represents their minimum carrying amount. If, after an impairment loss has been recognised, a higher recoverable amount is determined for the asset or the CGU at a later date, the impairment loss is reversed up to a carrying amount that does not exceed the recoverable amount. The increased carrying amount attributable to the reversal of the impairment loss is limited to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised in the past. The reversal of the impairment loss is recognised in the income statement. Impairment losses recognised in respect of goodwill may not be reversed.

Since January 2005, goodwill has been accounted for using the impairment-only approach in accordance with IFRS 3. This stipulates that goodwill must be subsequently measured at cost, less any cumulative adjustments from impairment losses. Purchased goodwill is therefore no longer amortised and instead is tested for impairment annually in accordance with IAS 36, regardless of whether any indication of possible impairment exists, as in the case of intangible assets with an indefinite useful life. In addition, the obligation remains to conduct an impairment test if there is any indication of impairment. Goodwill resulting from company acquisitions is allocated to the CGUs or groups of CGUs that are expected to benefit from the synergies of the acquisition. These groups represent the lowest reporting level at which the goodwill is monitored for internal management purposes. The carrying amount of a CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Where impairment losses are recognised in connection with a CGU to which goodwill has been allocated, the existing carrying amount of the goodwill is reduced first. If the amount of the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated to the remaining non-current assets in the CGU.

Leases

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

Since 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 interest rate implicit in the lease to the extent that this can be determined. Otherwise, they are discounted at the incremental borrowing rate.

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

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

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

The Group makes use of the relief options provided for leases of low-value assets and short-term leases (shorter than twelve months) and expense the payments in the income statement using the straight-line method. Additionally, the requirements do not apply to leases of intangible assets. The Group also exercises the option available for contracts comprising both lease and non-lease components not to separate these components, except in the case of real estate and aircraft leases. In addition, under IFRS 8 intra-group leases – in line with internal management policies – are generally presented as operating leases in the 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 are recognised in other operating income or other operating expenses. Impairment losses and their reversal are recognised in net income/loss from investments accounted for using the equity method.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and derivative financial assets. Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity. These mainly comprise trade payables, liabilities to banks, liabilities arising from bonds and leases, and derivative financial liabilities.

Measurement

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

Classification

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

DEBT INSTRUMENTS AT AMORTISED COST

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

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

Debt instruments assigned to the "hold to collect and sell" business model must be measured and recognised at fair value. Gains and losses from fair value measurement are recognised in other comprehensive income. Cumulative gains and losses are reclassified to 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 are measured at fair value. The effects of any change in the fair value of these equity instruments are recognised in other comprehensive income. On derecognition, these effects are not reclassified to profit or loss. Dividends from such instruments are reported in other income in the income statement.

Impairment

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

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

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

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

In accordance with the three-stage model, debt instruments measured at amortised cost are initially recognised in Stage 1. The expected loss is equal to the loss that may occur due to possible default events in the 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 set off against gains on the reversal of impairment losses.

Further details are presented in note 42.

Derivatives and hedges

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

To avoid variations in earnings resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible and economically useful. Gains and losses from the derivative and the related hedged item are recognised in income simultaneously. Depending on the hedged item and the risk to be hedged, the Group uses fair value hedges and cash flow hedges.

A fair value hedge hedges the fair value of recognised assets and liabilities. Changes in the fair value of both the derivatives and the hedged item are recognised in income simultaneously.

A cash flow hedge hedges the fluctuations in future cash flows from recognised assets and liabilities (in the case of interest rate risks), highly probable forecast transactions as well as unrecognised firm commitments that entail a currency risk. The effective portion of a cash flow hedge is recognised in the hedging reserve in equity. Ineffective portions resulting from changes in the fair value of the hedging instrument are recognised directly in income. The gains and losses generated by the hedging transactions are initially recognised in equity and are then reclassified to profit or loss in the period in which the 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. Such deferred income is presented in other operating income.

Assets held for sale and liabilities associated with assets held for sale

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

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term liquid financial assets with an original maturity of up to three months; they are carried at their principal amount. Overdraft facilities used are recognised in the balance sheet as amounts due to banks.

Non-controlling interests

Non-controlling interests are the proportionate minority interests in the equity of subsidiaries and are recognised at their carrying amount. If an interest is acquired from, or sold to, other shareholders without affecting the existing control relationship, this is presented as an equity transaction. The difference between the proportionate net assets acquired from, or sold to, other shareholders and the purchase price is recognised in other comprehensive income. If non-controlling interests are increased by the proportionate net assets, no goodwill is allocated to the proportionate net assets.

Share-based payments to executives

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

Cash-settled, share-based payments (stock appreciation rights, SARs) are measured on the basis of an option pricing model in accordance with IFRS 2. The stock appreciation rights are measured on each reporting date and on the settlement date. The amount determined for stock appreciation rights that will probably be exercised is recognised pro rata in income under staff costs, to reflect the services rendered as consideration during the vesting period (lock-up period). A provision is recognised for the same amount. Changes in value due to share price movements occurring after the grant date are recognised as other finance costs in net finance costs.

Retirement benefit plans

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

THE GROUP'S DEFINED BENEFIT RETIREMENT PLANS

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

DEFINED CONTRIBUTION RETIREMENT PLANS FOR CIVIL SERVANT EMPLOYEES IN GERMANY

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

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

Under section 16 PostPersRG, the federal government makes good the difference between the current payment obligations of PVK on the one hand, and the funding companies' current contributions or other return on assets on the other, and guarantees that 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 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 2021 are €59 million (actual employer contributions in the reporting period: €58 million, in the previous year: €54 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 2021 are €26 million (actual employer contributions in the reporting period: €25 million, in the previous year: €23 million).

As at 31 December 2020, 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 0.00% and 7.75% (previous year: –0.20% to 7.50%). 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

Financial liabilities are carried at fair value less transaction costs on initial recognition. The price determined in an efficient and liquid market or a fair value determined using the treasury risk management system deployed within the Group is taken as the fair value. Financial liabilities are measured at amortised cost in subsequent periods. Any differences between the amount received and the amount repayable are recognised in income over the term of the loan using the effective interest method.

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

CONVERTIBLE BOND ON DEUTSCHE POST AG SHARES

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

Liabilities

Trade payables and other liabilities are carried at amortised cost. Most of the trade payables have a maturity of less than one year. The fair value of the liabilities corresponds more or less to their carrying amount.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised in respect of 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: 38%).

Income taxes

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

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognised in the balance sheet; note 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, management must determine whether the assets are available for sale in their present condition and whether their sale is highly probable. If that is the case, the assets and associated liabilities must be measured and recognised as assets held for sale or liabilities associated with assets held for sale.

Estimates and assessments made by management

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make certain assumptions and estimates that may affect the amounts of the assets and liabilities included in the balance sheet, the amounts of income and expenses, and the disclosures relating to contingent liabilities. Examples of the main areas where assumptions, estimates and the exercise of management judgement occur are the recognition of provisions for pensions and similar obligations, the calculation of discounted cash flows for impairment testing and purchase price allocations, taxes and legal proceedings.

Disclosures regarding the assumptions made in connection with the Group's defined benefit retirement plans can be found in note 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, the economic impact of the COVID-19 pandemic and Brexit could affect the net assets, financial position and results of operations; see Combined Management Report, Expected developments, opportunities and risks. 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 the 2021 financial year 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 2020.

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 acquisition date, and the resulting gain or loss is 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 or proportionately consolidated are eliminated. Intercompany profits or losses from intra-group deliveries and services not realised by sale to third parties are eliminated. Unrealised gains and losses from business transactions with investments accounted for using the equity method are eliminated on a proportionate basis.

Segment reporting

9 Segment reporting

Segments by division

€m	Post & Parcel Germany[1]		Express		Global Forwarding, Freight		Supply Chain[1]		eCommerce Solutions		Corporate Functions		Consolidation[1,2]		Group	
1 January to 31 December	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External revenue	15,004	15,983	16,734	18,722	14,175	14,885	13,427	12,445	3,852	4,692	149	79	0	0	**63,341**	**66,806**
Internal revenue	396	472	367	413	953	1,029	106	92	193	137	1,328	1,531	–3,343	–3,674	**0**	**0**
Total revenue	15,400	16,455	17,101	19,135	15,128	15,914	13,533	12,537	4,045	4,829	1,477	1,610	–3,343	–3,674	**63,341**	**66,806**
Profit from operating activities (EBIT)	1,230	1,592	2,039	2,751	521	590	911	426	–51	158	–521	–669[3]	–1	–1	**4,128**	**4,847**
of which Net income/loss from investments accounted for using the equity method	0	0	1	3	–2	–2	3	1	–5	–35	–5	–2	0	1	**–8**	**–34**
Segment assets	5,904	6,188	15,640	16,263	8,714	8,901	7,898	7,889	1,723	1,878	5,495	5,267	–83	–80	**45,291**	**46,306**
of which Investments accounted for using the equity method	0	0	34	24	22	19	14	14	32	0	21	17	0	–1	**123**	**73**
Segment liabilities	2,707	2,716	3,801	4,224	3,058	3,296	3,144	2,912	629	717	1,530	1,567	–62	–62	**14,807**	**15,370**
Net segment assets/liabilities	3,197	3,472	11,839	12,039	5,656	5,605	4,754	4,977	1,094	1,161	3,965	3,700	–21	–18	**30,484**	**30,936**
Capex (assets acquired)	468	590	2,080	1,428	114	104	324	351	132	141	502	385	–3	0	**3,617**	**2,999**
Capex (right-of-use assets)	28	14	940	974	159	207	702	973	126	143	772	448	0	0	**2,727**	**2,759**
Total capex	496	604	3,020	2,402	273	311	1,026	1,324	258	284	1,274	833	–3	0	**6,344**	**5,758**
Depreciation and amortisation	339	329	1,314	1,383	254	246	871	849	201	164	662	753	–1	–2	**3,640**	**3,722**
Impairment losses	0	0	0	0	0	0	30	71	12	5	1	31	1	1	**44**	**108**
Total depreciation, amortisation and impairment losses	339	329	1,314	1,383	254	246	901	920	213	169	663	784	0	–1	**3,684**	**3,830**
Other non-cash income (–) and expenses (+)	183	359	316	527	26	90	204	234	61	60	85	209	0	–1	**875**	**1,478**
Employees[4]	157,863	158,889	96,850	99,365	44,265	42,376	157,028	159,152	30,797	29,819	12,659	12,607	–1	–1	**499,461**	**502,207**

[1] Prior-period amounts adjusted. [2] Including rounding. [3] Of which StreetScooter: €–318 million (previous year: €–115 million). [4] Average FTEs.

Information about geographical regions

€m	Germany		Europe[1] (excluding Germany)		Americas		Asia Pacific[1]		Other regions		Group	
1 January to 31 December	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External revenue	19,040	19,814	18,772	19,012	11,841	12,993	11,075	12,260	2,613	2,727	**63,341**	**66,806**
Non-current assets	9,949	10,093	10,341	10,526	7,695	7,782	4,843	4,817	639	599	**33,467**	**33,817**
Capex	2,160	1,707	1,323	1,409	1,997	1,887	649	615	215	140	**6,344**	**5,758**

[1] Prior-period amounts adjusted.

Adjustment of prior-period amounts

Effective as of 1 January 2020, the fulfilment activities of Home Delivery GmbH were transferred from the Post & Parcel Germany segment to the Supply Chain division. The prior-period amounts have been adjusted accordingly.

9.1 Segment reporting disclosures

Deutsche Post DHL Group reports five operating segments for the 2020 financial year; these are managed independently by the responsible segment management bodies in line with the products and services offered and the brands, distribution channels and customer profiles involved. Components of the entity are defined as a segment on the basis of the existence of segment managers with bottom-line responsibility who report directly to Deutsche Post DHL Group's top management.

External revenue is the revenue generated by the divisions from non-Group third parties. Internal revenue is revenue generated with other divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-based 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 as profit 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. Its business units are called Post Germany, Parcel Germany and International.

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. It is divided into the EMEA (Europe, Middle East and Africa), Americas and Asia Pacific regions.

eCommerce Solutions
The eCommerce Solutions division is home to the Group's international parcel delivery business. 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 was discontinued effective as of 1 January 2021.

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 to consolidated amounts

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

Reconciliation to segment assets

€m

	2019	2020
Total equity and liabilities	52,169	55,307
Investment property	–25	–12
Non-current financial assets	–594	–579
Other non-current assets	–242	–20
Deferred tax assets	–2,525	–2,390
Income tax assets	–232	–209
Receivables and other current assets	–20	–10
Current financial assets	–378	–1,299
Cash and cash equivalents	–2,862	–4,482
Segment assets	**45,291**	**46,306**
of which Corporate Functions	5,495	5,267
Total for reported segments[1]	39,879	41,119
Consolidation[1,2]	–83	–80

[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

	2019	2020
Total equity and liabilities	52,169	55,307
Equity	–14,392	–14,078
Consolidated liabilities	**37,777**	**41,229**
Non-current provisions and liabilities	–19,372	–22,237
Current provisions and liabilities	–3,598	–3,622
Segment liabilities	**14,807**	**15,370**
of which Corporate Functions	1,530	1,567
Total for reported segments	13,339	13,865
Consolidation[1]	–62	–62

[1] Including rounding.

The following table shows the reconciliation of the segment amounts to the income statement:

Reconciliation to the income statement

€m	Total for reported segments[1]		Corporate Functions		Reconciliation to Group/Consolidation[1,2]		Consolidated amount	
	2019	2020	2019	2020	2019	2020	2019	2020
External revenue	63,192	66,727	149	79	0	0	**63,341**	**66,806**
Internal revenue	2,015	2,143	1,328	1,531	–3,343	–3,674	**0**	**0**
Total revenue	**65,207**	**68,870**	**1,477**	**1,610**	**–3,343**	**–3,674**	**63,341**	**66,806**
Other operating income	2,340	1,983	1,570	1,637	–1,559	–1,525	**2,351**	**2,095**
Changes in inventories and work performed and capitalised	39	248	174	43	26	1	**239**	**292**
Materials expense	–34,376	–36,386	–1,300	–1,195	3,606	3,787	**–32,070**	**–33,794**
Staff costs	–20,578	–21,175	–1,042	–1,068	10	9	**–21,610**	**–22,234**
Depreciation, amortisation and impairment losses	–3,021	–3,047	–663	–784	0	1	**–3,684**	**–3,830**
Other operating expenses	–4,958	–4,943	–732	–910	1,259	1,399	**–4,431**	**–4,454**
Net income/loss from investments accounted for using the equity method	–3	–33	–5	–2	0	1	**–8**	**–34**
Profit from operating activities (EBIT)	**4,650**	**5,517**	**–521**	**–669**	**–1**	**–1**	**4,128**	**4,847**
Net finance costs							**–654**	**–676**
Profit before income taxes							**3,474**	**4,171**
Income taxes							**–698**	**–995**
Consolidated net profit for the period							**2,776**	**3,176**
of which Attributable to								
Deutsche Post AG shareholders							**2,623**	**2,979**
Non-controlling interests							**153**	**197**

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

Income statement disclosures

10 Revenue by business unit

€m	2019	2020
Post & Parcel Germany[1]	**15,004**	**15,983**
Post Germany	8,158	7,986
Parcel Germany	4,829	5,885
International	1,836	1,944
Other	181	168
Express	**16,734**	**18,722**
Global Forwarding, Freight	**14,175**	**14,885**
Global Forwarding	10,484	11,469
Freight	3,691	3,416
Supply Chain[1]	**13,427**	**12,445**
eCommerce Solutions	**3,852**	**4,692**
Corporate Functions	**149**	**79**
Total revenue	**63,341**	**66,806**

[1] Prior-period amounts adjusted due to reclassifications, note 9.

The total amount includes revenue from performance obligations in the amount of €12 million (previous year: €10 million) settled in prior periods. The change in revenue was due to the following factors:

Factors affecting revenue, 2020

€m	
Organic growth	5,375
Portfolio changes[1]	–295
Currency translation effects	–1,615
Total	**3,465**

[1] 2019 Annual Report, note 2 to the consolidated financial statements.

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

11 Other operating income

€m	2019	2020
Income from currency translation	184	294
Insurance income	247	268
Income from the reversal of provisions	124	191
Subsidies	18	177
Income from the remeasurement of liabilities	197	160
Income from fees and reimbursements	124	110
Operating lease income	68	110
Commission income	80	89
Sublease income	50	65
Income from prior-period billings	42	53
Income from the disposal of assets	525	49
Income from derivatives	23	46
Income from loss compensation	31	36
Income from the derecognition of liabilities	18	25
Recoveries on receivables previously written off	18	18
Income from rental concessions	0	6
Reversals of impairment losses on receivables and other assets	140	3
Miscellaneous	462	395
Total	**2,351**	**2,095**

Greater use of government subsidies for labour costs amounting to €107 million was made in the course of lockdown measures in the United Kingdom.

The increase in income from the reversal of provisions relates primarily to StreetScooter GmbH provisions recognised during the financial year.

The reversal of impairment losses on receivables and other assets has been set off against write-downs of current assets since the 2020 financial year, see note 16.

In the previous year, other operating income was affected primarily by the sale of the Supply Chain business in China.

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

12 Changes in inventories and work performed and capitalised

€m	2019	2020
Changes in inventories – expense (–) / income (+)	–130	74
Work performed and capitalised	369	218
Total	**239**	**292**

Changes in inventories are largely attributable to real estate development projects. Work performed and capitalised declined mainly as the result of the gradual discontinuation of electric vehicle production and the realignment of StreetScooter GmbH.

13 Materials expense

€m	2019	2020
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Aircraft fuel	1,452	1,012
Fuel	800	664
Goods purchased and held for resale	265	469
Packaging material	481	345
Spare parts and repair materials	124	132
Office supplies	71	101
Other expenses	412	365
	3,605	**3,088**
Cost of purchased services		
Transport costs	21,928	24,263
Cost of temporary staff and services	2,244	2,106
Maintenance costs	1,347	1,470
Lease expenses		
Short-term leases	544	490
Leases (incidental expenses)	72	101
Low-value asset leases	54	60
Variable lease payments	22	17
IT services	589	633
Commissions paid	581	608
Other purchased services	1,084	958
	28,465	**30,706**
Materials expense	**32,070**	**33,794**

Aircraft fuel expenses declined due to lower fuel prices. At the same time, transport costs rose on the back of higher delivery volumes.

A total of €106 million (previous year: €188 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	2019	2020
Wages, salaries and compensation	17,399	17,701
Social security contributions	2,656	2,705
Retirement benefit expenses	688	944
Expenses for other employee benefits	867	884
Staff costs	**21,610**	**22,234**

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 further expenses for the early retirement programme in the amount of €108 million.

Wages, salaries and compensation include a special bonus of €300 paid to each employee in recognition of their service during the past several months and led to an additional expense of €163 million.

Social security contributions relate, in particular, to statutory social security contributions paid by employers.

Retirement benefit expenses include the service cost related to the defined benefit retirement plans. These expenses also include contributions to defined contribution retirement plans for civil servants in Germany in the amount of €376 million (previous year: €409 million), as well as for the Group's hourly workers and salaried employees, totalling €352 million (previous year: €347 million), note 6. For information on the increase 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

	2019	2020
Headcount (annual average)		
Hourly workers and salarid employees	512,325	518,277
Civil servants	26,296	23,611
Trainees	5,661	5,240
Total	**544,282**	**547,128**
Full-time equivalents[1]		
As at 31 December	504,781	526,896
Average for the year	499,461	502,207

[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 2020 amounted to 422 on a proportionate basis (previous year: 326).

15 Depreciation, amortisation and impairment losses

€m	2019	2020
Amortisation of and impairment losses on intangible assets (excluding goodwill), of which Impairment losses: 3 (previous year: 1)	211	203
Depreciation of and impairment losses on property, plant and equipment acquired, of which Impairment losses: 19 (previous year: 20)		
Land and buildings	207	224
Technical equipment and machinery	379	381
Transport equipment	276	289
Aircraft	327	384
IT equipment	144	149
Operating and office equipment	94	104
Investment property	2	0
	1,429	**1,531**
Depreciation of and impairment losses on right-of-use assets, of which Impairment losses: 73 (previous year: 19)		
Land and buildings	1,451	1,494
Technical equipment and machinery	52	45
Transport equipment	224	229
Aircraft	310	310
IT equipment	1	1
Investment property	2	4
	2,040	**2,083**
Impairment of goodwill	**4**	**13**
Depreciation, amortisation and impairment losses	**3,684**	**3,830**

The depreciation, amortisation and impairment losses item includes impairment losses totalling €108 million (previous year: €44 million) as follows:

Impairment losses

€m	2019	2020
Supply Chain		
Intangible assets	3	2
Acquired property, plant and equipment	19	12
Right-of-use assets	8	57
eCommerce Solutions		
Intangible assets	1	1
Acquired property, plant and equipment	1	0
Right-of-use assets	10	4
Corporate Functions		
Goodwill	0	13
Acquired property, plant and equipment	0	7
Right-of-use assets	1	11
Consolidation (including rounding)	1	1
Impairment losses	**44**	**108**

Impairment losses relate chiefly to negative impacts stemming from lockdown measures resulting from the pandemic.

Goodwill impairment is attributable to the realignment of StreetScooter GmbH, which was assigned to Corporate Incubations.

In the previous year, €21 million impairment losses in the Supply Chain segment related to the non-current assets of the power packaging business in the United States. Another €12 million related to the disposal of assets as part of the strategic partnership with Austrian Post (eCommerce Solutions segment).

16 Other operating expenses

€m	2019	2020
Warranty expenses, refunds and compensation payments	388	515
Cost of purchased cleaning and security services	442	475
Expenses for advertising and public relations	371	331
Currency translation expenses	179	308
Other business taxes	280	306
Travel and training costs	350	225
Telecommunication costs	220	211
Office supplies	202	208
Write-downs of current assets	239	189
Insurance costs	184	186
Customs clearance-related charges	149	165
Services provided by *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	152	162
Consulting costs (including tax advice)	111	103
Entertainment and corporate hospitality expenses	188	102
Losses on disposal of assets	67	102
Monetary transaction costs	70	82
Voluntary social benefits	86	78
Commissions paid	59	66
Contributions and fees	54	65
Legal costs	70	63
Audit costs	34	32
Donations	20	27
Expenses from prior-period billings	17	19
Expenses from derivatives	8	8
Miscellaneous	491	426
Total	**4,431**	**4,454**

The increase in warranty expenses, refunds and compensation payments, and in losses on disposal of assets, was mainly the result of the negative impact of the gradual discontinuation of vehicle production by StreetScooter GmbH.

The COVID-19 pandemic led to lower corporate hospitality expenses and to lower travel costs due to travel restrictions.

Reversals of write-downs of receivables and other assets have been offset against write-downs of current assets since the 2020 financial year, see note 11.

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	2019	2020
Financial income		
Interest income	100	74
Gains on changes in fair value of financial assets	80	127
Other financial income	14	19
	194	**220**
Finance costs		
Interest expense from unwinding discounts on provisions	−113	−89
Interest expense on leases	−416	−394
Other interest expenses	−172	−151
Losses on changes in fair value of financial assets	−92	−145
Other finance costs	−53	−59
	−846	**−838**
Foreign currency loss	**−2**	**−58**
Net finance costs	**−654**	**−676**

The expense from the unwinding of discounts on bonds resulting from the application of the effective interest method amounted to €13 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	2019	2020
Current income tax expense	−704	−870
Current recoverable income tax	71	12
	−633	**−858**
Deferred tax income (previous year: expense) from temporary differences	−56	28
Deferred tax expense from tax loss carryforwards	−9	−165
	−65	**−137**
Income taxes	**−698**	**−995**

The reconciliation to the effective income tax expense based on consolidated net profit before income taxes and the expected income tax expense is as follows:

Reconciliation

€m	2019	2020
Profit before income taxes	3,474	4,171
Expected income taxes	−1,060	−1,272
Deferred tax assets not recognised for initial differences	32	9
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	176	45
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	188	253
Effect from previous years on current taxes	39	−16
Tax-exempt income and non-deductible expenses	−173	−115
Differences in tax rates at foreign companies	100	101
Income taxes	**−698**	**−995**

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 €109 million as at 31 December 2020 (previous year: €139 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 €8 million (previous year: €3 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 €368 million (previous year: €391 million). Effects from unrecognised deferred tax assets amounting to €5 million (previous year: €3 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 €78 million was recognised in the balance sheet for companies that reported a loss in the previous year or in the current period as, based on tax planning, realisation of the tax asset is probable.

In the 2020 financial year, 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 expenses from German and foreign companies in the amount of €16 million (tax expense) (previous year: income of €39 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
2020			
Change due to remeasurements of net pension provisions	−1,087	80	**−1,007**
Hedging reserves	−18	6	**−12**
Reserve for equity instruments without recycling	−5	0	**−5**
Currency translation reserve	−954	0	**−954**
Share of other comprehensive income of investments accounted for using the equity method	−8	1	**−7**
Other comprehensive income	**−2,072**	**87**	**−1,985**
2019			
Change due to remeasurements of net pension provisions	−1,068	77	**−991**
Hedging reserves	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**

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 for the 2020 financial year were €2.41 (previous year: €2.13).

Basic earnings per share

		2019	2020
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,623	2,979
Weighted average number of shares outstanding	number	1,234,109,757	1,236,900,096
Basic earnings per share	**€**	**2.13**	**2.41**

Diluted earnings per share

		2019	2020
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,623	2,979
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	2,630	2,986
Weighted average number of shares outstanding	number	1,234,109,757	1,236,900,096
Potentially dilutive shares	number	22,862,212	28,591,660
Weighted average number of shares for diluted earnings	number	1,256,971,969	1,265,491,756
Diluted earnings per share	**€**	**2.09**	**2.36**

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 2020: 10,649,742 shares; previous year: 4,887,495 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 €2.36 (previous year: €2.09).

20 Dividend per share

A dividend per share of €1.35 is being proposed for the 2020 financial year (previous year: €1.15 paid). 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 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 January 2020	**1,291**	**476**	**45**	**1,587**	**12,398**	**106**	**15,903**
Additions from business combinations	0	0	0	1	0	0	**1**
Additions	39	0	0	62	0	132	**233**
Reclassifications	58	0	0	76	0	−101	**33**
Disposals	−111	0	0	−125	0	−12	**−248**
Currency translation differences	−4	−26	−4	−36	−358	0	**−428**
Balance at 31 December 2020	**1,273**	**450**	**41**	**1,565**	**12,040**	**125**	**15,494**
Amortisation and impairment losses							
Balance at 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**
Disposals	−88	0	0	−288	−1	0	**−377**
Currency translation differences	1	22	1	10	22	0	**56**
Balance at 31 December 2019/1 January 2020	**1,133**	**445**	**23**	**1,253**	**1,062**	**0**	**3,916**
Additions from business combinations	0	0	0	0	0	0	**0**
Amortisation	67	0	4	129	0	0	**200**
Impairment losses	1	0	0	2	13	0	**16**
Reclassifications	2	0	0	−2	0	1	**1**
Disposals	−102	0	0	−108	0	0	**−210**
Currency translation differences	−3	−23	−1	−27	−33	0	**−87**
Balance at 31 December 2020	**1,098**	**422**	**26**	**1,247**	**1,042**	**1**	**3,836**
Carrying amount at 31 December 2020	**175**	**28**	**15**	**318**	**10,998**	**124**	**11,658**
Carrying amount at 31 December 2019	**158**	**31**	**22**	**334**	**11,336**	**106**	**11,987**

Goodwill impairment in the 2020 financial year relates exclusively to StreetScooter GmbH, note 15.

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

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.

€m	31 Dec. 2019	31 Dec. 2020
Post & Parcel Germany	961	920
Express	3,912	3,895
Global Forwarding, Freight		
DHL Global Forwarding	4,019	3,858
DHL Freight	279	278
Supply Chain	1,992	1,887
eCommerce Solutions	160	160
Corporate Incubations	13	0
Total goodwill	**11,336**	**10,998**

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 2021 to 2023. By contrast, an extended planning phase of up to eight years is used for the CGU eCommerce Solutions. Planning is supplemented by a perpetual annuity representing the value added from 2024 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	
	2019	2020	2019	2020
Post & Parcel Germany	7.7	6.1	0.5	0.5
Express	8.2	5.8	2.0	2.0
Global Forwarding, Freight				
DHL Global Forwarding	7.2	6.5	2.5	2.5
DHL Freight	7.4	6.7	2.0	2.0
Supply Chain	7.2	6.5	2.5	2.5
eCommerce Solutions	8.9	6.6	1.5	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 2020.

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

€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 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 2019/1 January 2020	**15,516**	**6,385**	**2,529**	**5,312**	**3,793**	**1,759**	**35,294**
Additions from business combinations[2]	16	9	2	83	1	11	**122**
Additions	2,171	249	136	714	672	1,583	**5,525**
Reclassifications	203	336	114	925	35	−1,647	**−34**
Disposals	−731	−217	−192	−383	−341	−30	**−1,894**
Currency translation differences	−503	−157	−94	−299	−89	−73	**−1,215**
Balance at 31 December 2020	**16,672**	**6,605**	**2,495**	**6,352**	**4,071**	**1,603**	**37,798**
Depreciation and impairment losses							
Balance at 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 2019/1 January 2020	**4,821**	**3,652**	**1,836**	**1,927**	**1,755**	**0**	**13,991**
Additions from business combinations[2]	12	7	1	43	1	0	**64**
Depreciation	1,652	418	252	694	502	0	**3,518**
Impairment losses	66	7	2	0	17	0	**92**
Reclassifications	1	1	−2	0	−4	2	**−2**
Reversals of impairment losses	−2	0	0	0	0	0	**−2**
Disposals	−466	−155	−180	−328	−273	0	**−1,402**
Currency translation differences	−188	−85	−64	−89	−42	0	**−468**
Balance at 31 December 2020	**5,896**	**3,845**	**1,845**	**2,247**	**1,956**	**2**	**15,791**
Carrying amount at 31 December 2020	**10,776**	**2,760**	**650**	**4,105**	**2,115**	**1,601**	**22,007**
Carrying amount at 31 December 2019	**10,695**	**2,733**	**693**	**3,385**	**2,038**	**1,759**	**21,303**

[1] Proportionate change from joint operations. [2] Change in the method of consolidation.

Disclosures on right-of-use assets are contained in note 40.

Disposals relate primarily to 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 relate in particular to the renewal of the intercontinental Express aircraft fleet. Advances for this purpose amounted to €321 million in the reporting period (previous year: €1,100 million).

Assets under development relate to items of property, plant and equipment in progress at the reporting date for whose production internal or third-party costs have already been incurred.

23 Investment property

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

€m	2019	2020
Cost		
Balance at 1 January	29	38
Additions	8	0
Reclassifications	5	−6
Disposals	−4	−1
Currency translation differences	0	−3
Balance at 31 December	**38**	**28**
Depreciation and impairment losses		
Balance at 1 January	11	13
Depreciation	3	4
Impairment losses	1	0
Disposals	−2	−1
Reclassifications	0	1
Currency translation differences	0	−1
Balance at 31 December	**13**	**16**
Carrying amount at 31 December	**25**	**12**
of which Right-of-use assets	10	7

Rental income for investment property amounted to €6 million (previous year: €4 million), whilst the related expenses were €2 million (previous year: €3 million). The fair value amounted to €32 million (previous year: €50 million).

24 Investments accounted for using the equity method

The following table is an overview of the carrying amount in the consolidated financial statements and selected financial data for those companies which, both individually and in the aggregate, are not of material significance for the Group.

Additions relate mainly to a capital increase in Global-E Online Ltd., Israel. The disposals relate to Aero Expreso. The effects of initial consolidation are presented in notes 22 and 35.

Due to the current earnings situation at France-based Relais Colis SAS resulting from lockdown measures, the carrying amount of €30 million was written off in full. The company is assigned to the eCommerce Solutions segment.

€m	Associates		Joint ventures		Total	
	2019	2020	2019	2020	2019	2020
Balance at 1 January	106	108	13	15	**119**	**123**
Additions	12	13	0	0	**12**	**13**
Disposals	0	−19	0	0	**0**	**−19**
Impairment losses	0	−30	0	0	**0**	**−30**
Changes in Group's share of equity						
Changes recognised in profit or loss	−10	−5	2	1	**−8**	**−4**
Profit distributions	−2	−2	0	0	**−2**	**−2**
Changes recognised in other comprehensive income	2	−7	0	−1	**2**	**−8**
Balance at 31 December	**108**	**58**	**15**	**15**	**123**	**73**
Aggregate financial data						
Profit after income taxes	−10	−35	2	1	**−8**	**−34**
Other comprehensive income	2	−7	0	−1	**2**	**−8**
Total comprehensive income	−8	−42	2	0	**−6**	**−42**

25 Financial assets

€m	Non-current		Current		Total	
	2019	2020	2019	2020	2019	2020
Assets measured at cost	490	466	369	81	**859**	**547**
Assets at fair value through other comprehensive income	34	29	0	0	**34**	**29**
Assets at fair value through profit or loss	235	251	25	1,234	**260**	**1,485**
Financial assets	**759**	**746**	**394**	**1,315**	**1,153**	**2,061**

Assets measured at cost decreased due to the sale of a promissory note loan. At the same time, assets measured at fair value through profit or loss increased, largely on account of the purchase of money market fund shares. For details on impairment losses, default risk, maturity structures and restraints on disposal, see note 42.

26 Other assets

Pension assets declined, primarily because of actuarial losses, see note 36.

Of the tax receivables, €430 million (previous year: €420 million) relates to VAT, €86 million (previous year: €91 million) to customs and duties, and €35 million (previous year: €43 million) to other tax receivables.

Miscellaneous other assets include a large number of individual items.

€m	2019	2020
Prepaid expenses	759	937
Tax receivables	554	551
Contract assets	129	182
Other assets from insurance contracts	126	115
Income from cost absorption	127	111
Creditors with debit balances	72	66
Recoverable start-up costs, non-current only	55	66
Receivables from loss compensation (recourse claims)	32	54
Receivables from insurance business	48	50
Receivables from private postal agencies	44	37
Receivables from employees	29	27
Receivables from cash on delivery	4	3
Pension assets, non-current only	242	20
Miscellaneous, of which Non-current: 74 (previous year: 98)	772	756
Other assets	**2,993**	**2,975**
of which Current	2,598	2,815
Non-current	395	160

27 Deferred taxes

Breakdown by balance sheet item and maturity

€m	2019		2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	4	97	22	111
Property, plant and equipment	350	1,917	416	1,995
Non-current financial assets	3	96	2	66
Other non-current assets	13	8	14	26
Other current assets	58	52	65	58
Provisions	560	45	589	44
Financial liabilities	1,621	27	1,632	26
Other liabilities	158	13	198	10
Tax loss carryforwards	1,957		1,752	
Gross amount	**4,724**	**2,255**	**4,690**	**2,336**
of which Current	759	215	954	242
Non-current	3,965	2,040	3,736	2,094
Netting	−2,199	−2,199	−2,300	−2,300
Carrying amount	**2,525**	**56**	**2,390**	**36**

A total of €1,065 million (previous year: €1,422 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €687 million (previous year: €535 million) to foreign tax loss carryforwards (mainly from the Americas region).

No deferred tax assets were recognised for tax loss carryforwards of around €2.6 billion (previous year: €4.2 billion) chiefly from the Americas region and for temporary differences of around €4.1 billion (previous year: €3.5 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 2028.

Deferred taxes have not been recognised for temporary differences of €403 million (previous year: €528 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	2019	2020
Raw materials, consumables and supplies	251	202
Work in progress	65	196
Finished goods and goods purchased and held for resale	75	30
Advance payments	5	11
Inventories	**396**	**439**

The increase in work in progress is attributable mainly to real estate development projects.

29 Trade receivables

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

€m	2019	2020
Trade receivables	7,828	8,222
Deferred revenue	733	763
Trade receivables	**8,561**	**8,985**

30 Cash and cash equivalents

€m	2019	2020
Cash equivalents	1,103	2,787
Bank balances/cash in transit	1,675	1,635
Cash	13	17
Other cash and cash equivalents	71	43
Cash and cash equivalents	**2,862**	**4,482**

Of the €4,482 million in cash and cash equivalents, €1,248 million was not available for general use by the Group as at the reporting date (previous year: €1,054 million). Of this amount, €1,169 million (previous year: €979 million) was attributable to countries where exchange controls or other legal restrictions apply (mostly China, India and Thailand) and €79 million (previous year: €75 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	
	2019	2020	2019	2020
Sale of Steinfurt property – Corporate Functions segment	0	9	0	0
Sale of fuel business of DHL Supply Chain Limited, United Kingdom – Supply Chain segment	0	7	0	7
Sale of CSG.PB GmbH, Germany – Corporate Functions segment	8	0	14	0
Other	1	0	0	0
Assets held for sale and liabilities associated with assets held for sale	**9**	**16**	**14**	**7**

Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG intends to sell a property in Steinfurt. The most recent measurement prior to reclassification did not indicate any impairment.

DHL Supply Chain Limited, United Kingdom, intends to sell its fuel business. The most recent remeasurement prior to reclassification to assets held for sale and liabilities associated with assets held for sale did not result in any impairment loss.

The sale of CSG.PB GmbH was completed in March 2020, note 2.

32 Issued capital and purchase of treasury shares

As at 31 December 2020, KfW Bankengruppe (KfW) held a 20.49% interest, unchanged from the previous year, in the share capital of Deutsche Post AG. Free float accounts for 79.51% of the shares. KfW holds the shares in trust for the Federal Republic of Germany.

32.1 Changes in issued capital

The issued capital amounts to €1,239 million. It is composed of 1,239,059,409 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share and is fully paid up.

Changes in issued capital and treasury shares

€m	2019	2020
Issued capital		
Balance at 1 January	1,237	1,237
Addition due to contingent capital increase (Performance Share Plan)	0	2
Balance at 31 December	**1,237**	**1,239**
Treasury shares		
Balance at 1 January	–4	–1
Purchase of treasury shares	0	–2
Issue/sale of treasury shares	3	3
Balance at 31 December	**–1**	**0**
Total at 31 December	**1,236**	**1,239**

32.2 Authorised and contingent capital

Authorised/contingent capital at 31 December 2020

	Amount €m	Purpose
Authorised Capital 2017 (Annual General Meeting on 28 April 2017)	160	Increase in share capital against cash/non-cash contributions (authorisation until 27 April 2022)
Contingent Capital 2014 (Annual General Meeting on 27 May 2014)	35	Issue of Performance Share Units to executives (authorisation until 7 May 2018)
Contingent Capital 2017 (Annual General Meeting on 28 April 2017)	75	Issue of options/conversion rights (authorisation until 7 May 2018)
Contingent Capital 2018/1 (Annual General Meeting on 24 April 2018)	12	Issue of Performance Share Units to executives (authorisation until 8 October 2020)
Contingent Capital 2018/2 (Annual General Meeting on 24 April 2018)	33	Issue of options/conversion rights (authorisation until 8 October 2020)
Contingent Capital 2020/1 (Annual General Meeting on 27 August 2020)	12	Issue of Performance Share Units to executives (authorisation until 26 August 2023)
Contingent Capital 2020/2 (Annual General Meeting on 27 August 2020)	40	Issue of options/conversion rights (authorisation until 26 August 2023)

Authorised Capital 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 by up to €160 million. The authorisation may be used in full or for partial amounts. Shareholders generally have pre-emptive rights. However, subject to the approval of the Supervisory Board, the Board of Management may disapply the shareholders' pre-emptive rights to the shares covered by the authorisation. No use was made of the authorisation in the reporting period.

Contingent Capital 2014

The contingent capital increase serves to grant Performance Share Units (PSUs) to selected Group executives. The new shares participate in profit from the beginning of the financial year in which they are issued. In the 2020 financial year, the authorisation resulted in the creation of 2.55 million new shares that were issued to executives in September to settle the 2016 PSP tranche, note 45.3. The share capital was contingently increased by up to €35 million through the issue of up to 35,027,242 new no-par value registered shares.

Contingent Capital 2017

The contingent capital increase serves to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1.5 billion, and to grant options or conversion rights for up to 75 million shares with a proportionate interest in the share capital not to exceed €75 million. The new shares participate in profit from the beginning of the financial year in which they are issued. The authorisation was exercised in part in December 2017, by issuing the convertible bond 2017/2025 in an aggregate principal amount of €1 billion. The share capital was increased on a contingent basis by up to €75 million. Contingent capital was not utilised in the 2020 financial year.

Contingent Capital 2018/1

The contingent capital increase serves to grant Performance Share Units (PSUs) to selected Group executives. The new shares participate in profit from the beginning of the financial year in which they are issued. The share capital was contingently increased by up to €12 million through the issue of up to 12 million no-par value registered shares. Contingent capital was not utilised in the 2020 financial year.

Contingent Capital 2018/2

The contingent capital increase serves to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1.5 billion, and to grant options or conversion rights for up to 33 million shares with a proportionate interest in the share capital not to exceed €33 million. The new shares participate in profit from the beginning of the financial year in which they are issued. The share capital was increased on a contingent basis by up to €33 million. Contingent capital was not utilised in the 2020 financial year.

Contingent Capital 2020/1

The contingent capital increase serves to grant Performance Share Units (PSUs) to selected Group executives. The share capital was contingently increased by up to €12 million through the issue of up to 12 million no-par value registered shares. The new shares participate in profit from the beginning of the financial year in which they are issued. Contingent capital was not utilised in the 2020 financial year.

Contingent Capital 2020/2

The contingent capital increase serves to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1.5 billion, and to grant options or conversion rights for up to 40 million shares with a proportionate interest in the share capital not to exceed €40 million. The new shares participate in profit from the beginning of the financial year in which they are issued. The share capital was increased on a contingent basis by up to €40 million. Contingent capital was not utilised in the 2020 financial year.

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. In addition, the Board of Management is authorised to acquire treasury shares totalling up to 5% of the share capital existing when the resolution was adopted by means including using derivatives.

Purchase and issuance of treasury shares

In the 2020 financial year, 2,003,334 shares were acquired for €45 million at an average price of €22.32 per share. Along with the existing treasury shares, 2,987,028 treasury shares were issued to executives to settle the 2019 tranche and claims to matching shares under the 2015 tranche.

As at 31 December 2020, Deutsche Post AG held no treasury shares (previous year: 983,694 treasury shares).

32.4 Disclosures on corporate capital

In the 2020 financial year, the equity ratio was 25.5% (previous year: 27.6%). 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	2019	2020
Financial liabilities	16,974	19,098
Less operating financial liabilities[1]	−350	−372
Less cash and cash equivalents	−2,862	−4,482
Less current financial assets	−394	−1,315
Less non-current derivative financial instruments	−1	−1
Net debt	**13,367**	**12,928**
Plus total equity	14,392	14,078
Total capital	**27,759**	**27,006**
Net gearing ratio (%)	48.2	47.9

[1] Relates to e.g. liabilities from overpayments.

33 Reserves

33.1 Capital reserves

€m	2019	2020
Balance at 1 January	3,469	3,482
Share Matching Scheme		
Addition	31	87
Exercise	−25	−77
Total for Share Matching Scheme	**6**	**10**
Performance Share Plan		
Addition	25	26
Exercise	−23	−26
Total for Performance Share Plan	**2**	**0**
Issue of treasury shares	0	24
Differences between purchase and issue prices of treasury shares	5	3
Balance at 31 December	**3,482**	**3,519**

33.2 Retained earnings

In addition to the items evident in the statement of changes in equity, retained earnings also include changes due to capital increases/decreases:

€m		2019	2020
Capital increase/decrease		41	28
of which	Exercise of share-based payment schemes	56	74
	Difference between purchase and issue prices of treasury shares	−5	−3
	Purchase/sale of treasury shares	−10	−43

34 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in the 2020 financial year amounted to €13,777 million (previous year: €14,117 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €7,977 million reported in Deutsche Post AG's annual financial statements in accordance with the HGB. The Board of Management is proposing a dividend of €1.35 per no-par value share carrying dividend rights. This corresponds to a total dividend of €1,673 million. The amount of €6,304 million remaining after deduction of the planned total dividend will be carried forward to new account. The final total dividend will be based on the number of shares carrying dividend rights at the time the Annual General Meeting resolves upon the appropriation of net retained profit on the date of the Annual General Meeting.

	Total dividend €m	Dividend per share €
Dividend distributed in the 2020 financial year for the year 2019	1,422	1.15
Dividend distributed in the 2019 financial year for the year 2018	1,419	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	2019	2020
DHL Sinotrans International Air Courier Ltd., China	169	196
DHL Aero Expreso S.A., Panama	0	18
Blue Dart Express Limited, India	17	15
PT. Birotika Semesta, Indonesia	19	14
Exel Saudia LLC, Saudi Arabia	9	8
DHL Global Forwarding Abu Dhabi LLC, United Arab Emirates	7	7
Other companies	54	43
Non-controlling interests	**275**	**301**

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	
	2019	2020	2019	2020
Balance sheet				
ASSETS				
Non-current assets	130	124	106	94
Current assets	475	607	91	109
Total ASSETS	**605**	**731**	**197**	**203**
EQUITY AND LIABILITIES				
Non-current provisions and liabilities	32	24	38	32
Current provisions and liabilities	237	314	73	89
Total EQUITY AND LIABILITIES	**269**	**338**	**111**	**121**
Net assets	**336**	**393**	**86**	**82**
Non-controlling interests	169	196	17	15
Income statement				
Revenue	1,677	2,179	407	355
Profit before income taxes	330	408	3	3
Income taxes	82	103	2	1
Profit after income taxes	**248**	**305**	**1**	**2**
Other comprehensive income	–3	–14	–1	–7
Total comprehensive income	**245**	**291**	**0**	**–5**
attributable to non-controlling interests	118	146	0	–1
Dividend distributed to non-controlling interests	127	119	1	0
Consolidated net profit attributable to non-controlling interests	120	153	0	0
Cash flow statement				
Net cash from operating activities	278	390	20	17
Net cash used in investing activities	–17	–14	–6	–10
Net cash used in financing activities	–273	–254	–31	–5
Net change in cash and cash equivalents	–12	122	–17	2
Cash and cash equivalents at 1 January	277	262	25	8
Effect of changes in exchange rates on cash and cash equivalents	–3	–14	0	–1
Cash and cash equivalents at 31 December	**262**	**370**	**8**	**9**

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	2019	2020
Balance at 1 January	–16	–16
Transaction with non-controlling interests	0	3
Total comprehensive income		
Changes from unrealised gains and losses	0	–15
Changes from realised gains and losses	0	0
Currency translation reserve at 31 December	**–16**	**–28**

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. The large majority of Deutsche Post AG's obligations relates to older vested entitlements of hourly workers and salaried employees from a previous agreement, and to legacy pension commitments towards former hourly workers and salaried employees who have left or retired from the company. In addition, retirement benefit arrangements are available to executives below the Board of Management level and to specific employee groups through deferred compensation in particular. In the previous year, 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. Details on the retirement benefit arrangements for the Board of Management can be found in the Combined Management Report.

The prime source of external funding for Deutsche Post AG's respective retirement benefit obligations is a contractual trust arrangement, which also includes a pension fund. The trust is funded on a case-by-case basis in line with the Group's finance strategy. In the case of the pension fund, the regulatory funding requirements can, in principle, be met without additional employer contributions. Part of the plan assets consists of real estate that is leased out to the Group on a long-term basis. In addition, *Versorgungsanstalt der Deutschen Bundespost* (VAP – *Deutsche Bundespost* institution for supplementary retirement pensions), a shared pension fund for successor companies to *Deutsche Bundespost*, is used for some of the legacy pension commitments.

Individual subsidiaries in Germany have retirement benefit plans that were acquired in the context of acquisitions and transfers of operations and that are closed to new entrants. Contractual trust arrangements are in place for two (previous year: three) subsidiaries for external funding.

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. Furthermore, in 2019 certain active members of this arrangement were subsequently given the option to transfer their past service benefits to an external pension arrangement. This resulted in settlement payments in the reporting period.

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 previous year, 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 reporting period, the allocation of plan assets to the participating Group companies was harmonised in the Netherlands. Both employers and employees contribute to plan funding in the Netherlands and in Switzerland. 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	
	2019	2020	2019	2020	2019	2020
Balance at 1 January	16,696	18,618	12,608	13,758	**4,088**	**4,860**
Current service cost, excluding employee contributions	218	227	–	–	**218**	**227**
Past service cost	–274	–19	–	–	**–274**	**–19**
Settlement gains (–)/losses (+)	–24	–2	–	–	**–24**	**–2**
Other administration costs in accordance with IAS 19.130	–	–	–12	–10	**12**	**10**
Service cost[1]	**–80**	**206**	**–12**	**–10**	**–68**	**216**
Interest cost on defined benefit obligations	379	285	–	–	**379**	**285**
Interest income on plan assets	–	–	291	213	**–291**	**–213**
Net interest cost	**379**	**285**	**291**	**213**	**88**	**72**
Income and expenses recognised in the income statement	**299**	**491**	**279**	**203**	**20**	**288**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	–89	–10	–	–	**–89**	**–10**
Actuarial gains (–)/losses (+) – changes in financial assumptions	2,146	1,708	–	–	**2,146**	**1,708**
Actuarial gains (–)/losses (+) – experience adjustments	63	–65	–	–	**63**	**–65**
Return on plan assets excluding interest income	–	–	1,052	546	**–1,052**	**–546**
Remeasurements recognised in the statement of comprehensive income	**2,120**	**1,633**	**1,052**	**546**	**1,068**	**1,087**
Employer contributions	–	–	56	68	**–56**	**–68**
Employee contributions	35	36	19	19	**16**	**17**
Benefit payments	–742	–733	–488	–358	**–254**	**–375**
Settlement payments	–49	–68	–42	–67	**–7**	**–1**
Transfers	–13	0	–5	–2	**–8**	**2**
Acquisitions/divestitures	1	–2	0	–5	**1**	**3**
Currency translation effects	271	–311	279	–313	**–8**	**2**
Balance at 31 December	**18,618**	**19,664**	**13,758**	**13,849**	**4,860**	**5,815**

[1] Including other administration costs in accordance with IAS 19.130 from plan assets.

As at 31 December 2020, 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 2020/31 December 2019: €5 million; 1 January 2019: €2 million).

There were settlement payments in the United Kingdom in particular in the reporting period. Moreover, in Germany the proportion of benefit payments paid directly by the company increased. In the previous year, past service income was attributable mainly to plan amendments in Germany. Settlement effects resulted mainly from changes in the UK and the USA; settlement payments were already made in the USA.

Total payments amounting to €314 million are expected with regard to net pension provisions in 2021. Of this amount, €272 million is attributable to the Group's expected direct benefit payments and €42 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 45%, 18% and 11%, respectively (previous year: 44%, 20% and 11%). On account of a change in the allocation of plan assets in the Netherlands to the participating Group companies, the pension assets item declined by around €75 million in the reporting period and the increase in the pension provisions item was correspondingly limited.

Additionally, rights to reimbursement from former Group companies existed in the Group in Germany in the amount of €14 million (previous year: €14 million), which had to be reported separately under financial assets. Corresponding benefit payments are being made directly by the former Group companies.

€m	Germany	United Kingdom	Other	Total
31 December 2020				
Present value of defined benefit obligations	11,134	5,450	3,080	**19,664**
Fair value of plan assets	−5,901	−5,437	−2,511	**−13,849**
Net pension provisions	**5,233**	**13**	**569**	**5,815**
Reported separately				
Pension assets	0	13	7	**20**
Provisions for pensions and similar obligations	5,233	26	576	**5,835**
31 December 2019				
Present value of defined benefit obligations	10,355	5,349	2,914	**18,618**
Fair value of plan assets	−5,828	−5,489	−2,441	**−13,758**
Net pension provisions	**4,527**	**−140**	**473**	**4,860**
Reported separately				
Pension assets	0	141	101	**242**
Provisions for pensions and similar obligations	4,527	1	574	**5,102**

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 2020				
Discount rate (defined benefit obligations)	0.80	1.20	1.06	**0.95**
Expected annual rate of future salary increase	2.50	n.a.	2.36	**2.47**
Expected annual rate of future pension increase	1.75	2.60	1.02	**2.11**
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**

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.

The selection of corporate bonds to be used for this purpose for the eurozone was refined in June 2020. As a result, corporate bonds whose risk-return profile more closely resembles that of government bonds will be selected with greater accuracy in future.

This change led to a 0.10 percentage point increase in the discount rate for calculating the DBO for the eurozone as at 31 December 2020, from 0.70% (old method) to 0.80%, reducing the Group's DBO by around €200 million and lifting other comprehensive income (before tax) by the same amount. Overall, the discount rate fell from 1.4% to 0.8% in Germany and the eurozone in the 2020 financial year. Minor effects on current service cost and net interest cost in 2021 are expected as a result.

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 are based on the HEUBECK RICHTTAFELN 2018 G mortality tables. Life expectancy for the retirement benefit plans in the UK is mainly 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 2020					
Discount rate (defined benefit obligations)	1.00	−13.41	−14.75	−15.36	**−14.08**
	−1.00	17.38	19.08	20.66	**18.36**
Expected annual rate of future salary increase	0.50	0.15	n.a.	1.05	**0.25**
	−0.50	−0.14	n.a.	−0.94	**−0.23**
Expected annual rate of future pension increase	0.50	0.36	6.01	7.13	**2.97**
	−0.50	−0.33	−5.64	−5.33	**−2.57**
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**

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 5.20% in Germany (previous year: 4.95%) and by 4.40% in the UK (previous year: 4.39%). The corresponding increase for other countries would be 3.33% (previous year: 3.00%) and the total increase would be 4.69% (previous year: 4.49%).

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 2020 was 15.3 years in Germany (previous year: 14.6 years) and 17.1 years in the UK (previous year: 16.7 years). In the other countries it was 18.4 years (previous year: 17.9 years), and in total it was 16.3 years (previous year: 15.7 years).

A total of 32.1% (previous year: 31.5%) of the present value of the defined benefit obligations was attributable to active beneficiaries, 19.6% (previous year: 19.0%) to formerly employed beneficiaries and 48.3% (previous year: 49.5%) 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 2020				
Equities	617	513	751	**1,881**
Fixed income securities	1,755	4,243	1,152	**7,150**
Real estate	1,670	270	343	**2,283**
Alternatives[1]	356	271	54	**681**
Insurances	529	0	155	**684**
Cash	945	140	17	**1,102**
Other	29	0	39	**68**
Fair value of plan assets	**5,901**	**5,437**	**2,511**	**13,849**
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**

[1] Primarily includes absolute return products.

Quoted market prices in an active market exist for around 70% (previous year: 70%) 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: 9%) 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 €1,563 million (previous year: €1,502 million) is occupied by Deutsche Post DHL Group.

Hedging measures triggered by developments on the capital markets in 2020 (as a result of the COVID-19 pandemic) resulted in a decrease in the proportion of equity and fixed-income holdings and an increase in the proportion of the cash holdings.

Asset-liability studies are performed at regular intervals in Germany, the 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 based mainly 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	
	2019	2020	2019	2020	2019	2020
Other employee benefits	703	738	154	181	**857**	**919**
Technical reserves (insurance)	438	482	236	230	**674**	**712**
Aircraft maintenance	185	211	74	72	**259**	**283**
Tax provisions	–	–	147	204	**147**	**204**
Restructuring provisions	35	31	43	41	**78**	**72**
Miscellaneous provisions	289	328	310	352	**599**	**680**
Other provisions	**1,650**	**1,790**	**964**	**1,080**	**2,614**	**2,870**

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 2020	857	78	674	259	147	599	**2,614**
Changes in consolidated group	0	0	0	3	0	0	**3**
Utilisation	–475	–38	–40	–24	–44	–241	**–862**
Currency translation differences	–37	–3	–14	–10	–4	–28	**–96**
Reversal	–14	–7	–22	–27	–3	–115	**–188**
Unwinding of discount/changes in discount rate	5	1	7	1	0	2	**16**
Reclassification	0	0	0	0	0	0	**0**
Addition	583	41	107	81	108	463	**1,383**
Balance at 31 December 2020	**919**	**72**	**712**	**283**	**204**	**680**	**2,870**

The provision for other employee benefits primarily covers workforce reduction expenses such as severance payments, partial retirement, early retirement, stock appreciation rights (SARs) and jubilee payments. The increase is attributable mainly to higher obligations for severance payments and partial retirement.

The restructuring provisions comprise mainly costs from the closure of terminals and termination benefit obligations to employees.

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, €99 million (previous year: €60 million) relates to VAT, €40 million (previous year: €34 million) to customs and duties, and €65 million (previous year: €53 million) to other tax provisions.

Miscellaneous provisions, which include a large number of individual items, break down as follows:

€m	2019	2020
Litigation costs, of which Non-current: 50 (previous year: 55)	108	111
Risks from business activities, of which Non-current: 7 (previous year: 8)	37	49
Miscellaneous other provisions, of which Non-current: 271 (previous year: 226)	454	520
Miscellaneous provisions	**599**	**680**

37.2 Maturity structure

The maturity structure of the provisions recognised in the 2020 financial year is as follows:

€m	Up to 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years	Total
2020							
Other employee benefits	181	159	87	66	64	362	**919**
Technical reserves (insurance)	230	247	79	46	33	77	**712**
Aircraft maintenance	72	34	47	67	7	56	**283**
Tax provisions	204	0	0	0	0	0	**204**
Restructuring provisions	41	7	14	3	4	3	**72**
Miscellaneous provisions	352	120	56	37	35	80	**680**
Total	**1,080**	**567**	**283**	**219**	**143**	**578**	**2,870**

38 Financial liabilities

€m	Non-current		Current		Total	
	2019	2020	2019	2020	2019	2020
Bonds	5,164	6,660	303	750	**5,467**	**7,410**
Amounts due to banks	181	290	287	189	**468**	**479**
Lease liabilities[1]	8,145	8,638	2,156	1,821	**10,301**	**10,459**
Liabilities at fair value through profit or loss	1	1	22	53	**23**	**54**
Other financial liabilities	245	262	470	434	**715**	**696**
Financial liabilities	**13,736**	**15,851**	**3,238**	**3,247**	**16,974**	**19,098**

[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.

Bonds

The bond issued by Deutsche Post Finance B.V. is fully guaranteed by Deutsche Post AG.

Significant bonds

				2019		2020	
	Nominal coupon %	Issue volume €m	Issuer	Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2012/2022	2.950	500	Deutsche Post Finance B.V.	499	538	499	525
Bond 2012/2020	1.875	300	Deutsche Post AG	300	306	–	–
Bond 2012/2024	2.875	700	Deutsche Post AG	698	797	699	786
Bond 2013/2023	2.750	500	Deutsche Post AG	498	552	498	542
Bond 2016/2021	0.375	750	Deutsche Post AG	748	754	750	750
Bond 2016/2026	1.250	500	Deutsche Post AG	497	530	498	536
Bond 2017/2027	1.000	500	Deutsche Post AG	496	524	496	534
Bond 2018/2028	1.625	750	Deutsche Post AG	742	825	743	846
Bond 2020/2026	0.375	750	Deutsche Post AG	–	–	745	771
Bond 2020/2029	0.750	750	Deutsche Post AG	–	–	747	798
Bond 2020/2032	1.000	750	Deutsche Post AG	–	–	747	825
Convertible bond 2017/2025[1]	0.050	1,000	Deutsche Post AG	960	990	967	1,024

[1] Fair value of the debt component; the fair value of the convertible bond 2017/2025 is €1,084 million (previous year: €1,024 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 December 2017
Issue volume	€1 billion
Outstanding volume	€1 billion
Exercise period, conversion right	13 December 2020 to 13 June 2025[1]
Exercise period, call option	2 January 2023 to 10 June 2025
Value of debt component at issue date[2]	€946 million
Value of equity component at issue date[3]	€53 million
Transaction costs (debt/equity component)	€4.7/0.3 million
Conversion price at issue	€55.69
Conversion price after adjustment[4]	
in 2018	€55.61
in 2019	€55.63
in 2020	€55.74

[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	2019	2020
Tax liabilities	1,255	1,267
Incentive bonuses[1]	948	1,002
Compensated absences	370	395
Wages, salaries, severance payments[1]	340	293
Contract liabilities, of which Non-current: 17 (previous year: 11)	235	278
Payables to employees and members of executive bodies	223	241
Social security liabilities	179	182
Deferred income, of which Non-current: 70 (previous year: 63)	150	169
Debtors with credit balances	147	161
Postage stamps (contract liabilities)	125	130
Overtime claims	98	108
Liabilities from the sale of residential building loans, of which Non-current: 39 (previous year: 51)	66	51
Other compensated absences	30	38
Liabilities from loss compensation, of which Non-current: 7 (previous year: 0)	9	38
Insurance liabilities	63	33
Liabilities from cheques issued	29	25
COD liabilities	37	22
Accrued insurance premiums for damages and similar liabilities	12	14
Accrued rentals	16	13
Miscellaneous other liabilities, of which Non-current: 195 (previous year: 235)[1]	941	1,003
Other liabilities	**5,273**	**5,463**
of which Current	4,913	5,135
Non-current	360	328

[1] Prior-period amounts adjusted.

For purposes of transparency, bonus liabilities in respect of employees have been reported in incentive bonuses since 2020. The prior-period amounts were adjusted accordingly.

Of the tax liabilities, €650 million (previous year: €648 million) relates to VAT, €439 million (previous year: €427 million) to customs and duties, and €178 million (previous year: €180 million) to other tax liabilities.

The liabilities from the sale of residential building loans relate to obligations of Deutsche Post AG to pay interest subsidies to borrowers to offset the deterioration in borrowing terms in conjunction with the assignment of receivables in previous years, as well as pass-through obligations from repayments of principal and interest for residential building loans sold.

Miscellaneous other liabilities include a large number of individual items.

Maturity structure

There is no significant difference between the carrying amounts and the fair values of the other liabilities due to their short maturities or market interest rates. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

€m	2019	2020
Up to 1 year	4,913	5,135
More than 1 year to 2 years	155	146
More than 2 years to 3 years	79	72
More than 3 years to 4 years	54	47
More than 4 years to 5 years	35	25
More than 5 years	37	38
Other liabilities	**5,273**	**5,463**

Lease disclosures

40 Lease disclosures

Currency translation income on lease liabilities totalled €28 million (previous year: €30 million), whilst the related expenses amounted to €25 million (previous year: €32 million). Income from sale-and-leaseback transactions amounted to €149 million, of which €131 million were attributable to real estate development transactions. 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 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**
31 December 2020							
Accumulated cost	11,431	227	8	2,079	899	0	**14,644**
of which Additions	1,874	83	1	534	266	1	**2,759**
Accumulated depreciation and impairment losses	3,543	90	6	632	402	0	**4,673**
Carrying amount	**7,888**	**137**	**2**	**1,447**	**497**	**0**	**9,971**

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 62 real estate leases with remaining lease terms of more than twenty years as at 31 December 2020 (previous year: 64 leases). Aircraft leases have remaining lease terms of up to twelve 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	2019	2020
Non-current lease liabilities	8,145	8,638
Current lease liabilities	2,156	1,821
Total	**10,301**	**10,459**

Financial liabilities under leases of €1,894 million (previous year: €1,894 million) were repaid and interest on leases of €394 million (previous year: €416 million) was paid in the 2020 financial year. Future cash outflows amounted to €13 billion (previous year: €13 billion) as at the reporting date, note 42. Possible future cash outflows amounting to €2.0 billion (previous year: €1.5 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: €0.2 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 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 2019/1 January 2020	**5,467**	**468**	**10,301**	**365**	**16,601**
Cash changes[2]	1,853	41	–2,288	–76	**–470**
Non-cash changes					
Leases	0	0	2,850	0	**2,850**
Currency translation	–1	–44	–409	–8	**–462**
Fair value adjustment	0	0	0	0	**0**
Other changes	91	14	5	43	**153**
Balance at 31 December 2020	**7,410**	**479**	**10,459**	**324**	**18,672**

[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 €426 million (previous year: €373 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 (€–2,250 million; previous year: €–4,112 million) are due primarily to interest payments in addition to payments relating to equity transactions. The interest payments reported in the cash flow statement also include payments that do not relate to liabilities from financing activities.

As at the reporting date, there were no hedges attributable solely to the liabilities arising from financing activities. The effects on cash flows from hedges are presented in the “Other financing activities” cash flow item in the amount of €–88 million.

41.1 Net cash from operating activities

At €7,699 million, net cash from operating activities was €1,650 million higher than in the prior-year period (€6,049 million). The change in provisions was from €–506 million to €73 million. In the previous year, primarily provisions due to the early retirement programme in the Post & Parcel Germany division were utilised or reclassified to liabilities.

Non-cash income and expenses are as follows:

Non-cash income and expense

€m	2019	2020
Expense from the remeasurement of assets	86	176
Income from the remeasurement of liabilities	–203	–176
Income (–)/expense (+) on asset disposals	1	–3
Staff costs relating to equity-settled share-based payments	55	73
Loss from investments accounted for using the equity method	8	34
Other	–4	28
Non-cash income (–) and expense (+)	**–57**	**132**

41.2 Net cash used in investing activities

Net cash used in investing activities increased sharply from €2,140 million to €3,640 million. Investments in property, plant and equipment and intangible assets declined by €690 million to €2,922 million. In the previous year, €1,100 million was paid to modernise the Express aircraft fleet; €321 million was paid for this purpose in the reporting period. A net amount of €653 million received from the sale of the Supply Chain business in China was also included in the previous year. The change in short-term financial investments resulted in a cash inflow of €527 million in the previous year; there was an outflow of €933 million in the reporting period.

41.3 Net cash used in financing activities

At €2,250 million, net cash used in financing activities was significantly lower, by €1,862 million, than the previous year's figure of €4,112 million. This was attributable primarily to the bonds issued in May in the principal amount of €2.25 billion.

Further details on the cash flow statement and free cash flow can be found in the Combined Management Report.

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

Disclosures regarding risks associated with the Group's defined benefit retirement plans and their mitigation can be found in note 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 2020, the Group had central liquidity reserves of €5.9 billion (previous year: €3.5 billion), consisting of central financial investments amounting to €3.9 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 2020						
Non-current financial liabilities[1]	89	679	656	939	1,165	4,355
Non-current lease liabilities	0	1,833	1,491	1,151	949	5,050
Other non-current financial liabilities	0	10	8	7	6	15
Non-current financial liabilities	**89**	**2,522**	**2,155**	**2,097**	**2,120**	**9,420**
Current financial liabilities	1,428					
Current lease liabilities	2,198					
Trade payables	7,309					
Other current financial liabilities	348					
Current financial liabilities	**11,283**					
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**					

[1] The convertible bond 2025 is contained in the “More than 4 years to 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 2020						
Derivative receivables – gross settlement						
Cash outflows	−2,167	−34	−6	−1	0	0
Cash inflows	2,191	35	7	1	0	0
Net settlement						
Cash inflows	0	0	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	−2,094	−26	−25	−16	−3	0
Cash inflows	2,054	26	25	16	3	0
Net settlement						
Cash outflows	−11	0	0	0	0	0
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

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 €4 million (previous year: €3 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 €3,562 million at the reporting date (previous year: €2,980 million); the fair value was €–16 million (previous year: €–1 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 €4,503 million (previous year: €3,377 million) were outstanding at the reporting date. The corresponding fair value was €–24 million (previous year: €3 million).

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2020, €–7 million (previous year: €4 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	2019		2020	
	Profit or loss effects	Equity effects	Profit or loss effects	Equity effects
Primary financial instruments and free-standing derivatives	3		4	
Derivative instruments (cash flow hedges)		5		5
Total value at risk[1]		7		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 17% (previous year: 19%) 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.

Remaining fuel price risks were partially hedged by means of corresponding swap transactions in the notional amount of €45 million (previous year: €5 million) and with a fair value of €–7 million (previous year: €0 million) running until the end of 2022.

A 10% increase in the commodity prices underlying the derivatives as at the balance sheet date would have increased fair values and equity by €4 million (previous year: €0 million). A corresponding decline in commodity prices would have had the opposite effect.

CREDIT RISK

Credit risk arises for the Group from operating activities and from financial transactions. The aggregate carrying amount of financial assets represents the maximum default risk.

In an effort to minimise credit risk from operating activities and financial transactions, counterparties are assigned individual limits, the utilisation of which is regularly monitored. The Group's heterogeneous customer structure means that there is no risk concentration. Financial transactions are only entered into with prime-rated counterparties. A test is performed at the reporting dates to establish whether an impairment loss needs to be charged on financial assets and the positive fair values of derivatives due to changes in credit quality. This was not the case for any of the counterparties as at 31 December 2020.

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 2020	1,165	–28	**1,137**
Newly originated financial assets	623	–	**623**
Impairment loss	–3	–	**–3**
Disposal	–832	–	**–832**
Reversal of loss allowance	–	24	**24**
Increase in loss allowance	–	–32	**–32**
Currency translation differences	–43	–	**–43**
Changes in consolidated group	3	–	**3**
Balance at 31 December 2020	**913**	**–36**	**877**
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**

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 €8,985 million were due within one year at the reporting date (previous year: €8,561 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	2019	2020
Gross receivables		
Balance at 1 January	8,453	8,728
Changes	275	485
Balance at 31 December	**8,728**	**9,213**
Loss allowances		
Balance at 1 January	–206	–167
Changes	39	–61
Balance at 31 December	**–167**	**–228**
Carrying amount at 31 December	**8,561**	**8,985**

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

%	2019	2020
1 to 60 days	0.1–0.3	0.1–0.3
61 to 120 days	0.5–5.0	1.0–4.0
121 to 180 days	2.0–26.0	6.0–31.0
181 to 360 days	26.0–60.0	42.0–76.0
More than 360 days	80.0–100.0	80.0

Trade receivables are derecognised when a reasonable assessment indicates they are no longer recoverable. The relevant indicators include a delay in payment of more than 360 days.

In the 2020 financial year, there were factoring agreements in place that obliged the banks to purchase existing and future trade receivables. The banks' purchase obligations were limited to a maximum portfolio of receivables of €672 million (previous year: €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 the 2020 financial year, the Group recognised programme fees (interest, allowances for doubtful accounts) of €2 million (previous year: €3 million) as an expense in the context of its continuing exposure. The notional volume of receivables factored as at 31 December 2020 amounted to €255 million (previous year: €365 million).

42.2 Collateral

Collateral provided

€m	2019	2020
Non-current financial assets, of which	175	159
For assets for the settlement of residential building loans	60	46
For sureties paid	105	101
Current financial assets, of which	50	43
For US cross-border leases (QTE leases) transactions	7	0
For sureties paid	16	16

The collateral provided relates mainly to other financial assets.

42.3 Derivative financial instruments

FAIR VALUE HEDGES

There were no fair value hedges as at 31 December 2020, as in the previous year. At the reporting date, unwinding interest rate swaps resulted in carrying amount adjustments of €6 million (previous year: €13 million) which are included in the amount of €0 million in current financial liabilities (previous year: €3 million) and in the amount of €6 million in non-current financial liabilities (previous year: €10 million). 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 €942 million at the reporting date (previous year: €396 million); the fair value was €–8 million (previous year: €4 million). The hedged items will have an impact on cash flow by 2025.

Moreover cash flow hedges included swaps to hedge fuel price risks in the notional amount of €45 million (previous year: €0 million) and with a fair value of €–7 million (previous year: €0 million) running until the end of 2022. Only the product price component of the fuel price was designated as the hedged item; based on official statistics, the product price component accounted, on average, for 87% of overall fuel price fluctuations in the past.

The gains and losses on open hedging instruments recognised in equity at the reporting date amounted to €14 million. No ineffective portions of hedges were recognised. Due to the recognition of the hedged item in profit or loss, cash flow hedges on currency risks resulted in the recognition of net realised gains of €40 million in other operating income/expenses and realised losses of €–2 million in materials expense in the financial year. Realised losses totalling €–9 million from cash flow hedges for fuel price risks were also recognised in materials expense.

The following table shows the net open hedging positions at the reporting date in the currency pairs with the highest net positions and their weighted hedge rate.

Notional volume of hedging instruments

€m	Total notional volume	Remaining term: Up to 1 year	Remaining term: 1 year to 5 years	Remaining term: More than 5 years	Average hedge rate €
31 December 2020					
Hedges of currency risk					
Currency forwards buy USD/HKD	378	378	0	0	7.76
Currency forwards sell EUR/CZK	−199	−89	−110	0	26.53
Currency forwards buy USD/TWD	103	103	0	0	28.41
31 December 2019					
Hedges of currency risk					
Currency forwards buy EUR/CZK	−307	−179	−128	0	26.33
Currency forwards sell EUR/JPY	20	20	0	0	124.85
Currency forwards buy EUR/USD	18	18	0	0	1.14

The carrying amounts of derivative assets totalling €1 million (previous year: €5 million) and derivative liabilities totalling €–16 million (previous year: €–1 million) included in cash flow hedging did not result in ineffectiveness within the period, as in the previous year, because the relevant changes in the fair value of the hedged items (€21 million) and hedging transactions (€–21 million) (previous year: €–5 million and €5 million) offset each other.

Cash flow hedging reserve

€m	2019	OCI I Effective portion of the hedge	OCI II Cost of hedging	2020
Balance at 1 January	−6	−3	1	**−2**
Gains and losses on effective hedges	−3	8	3	**11**
Reclassification due to the recognition of hedged items	7	−29	0	**−29**
Balance at 31 December[1]	**−2**	**−24**	**4**	**−20**

[1] Excluding deferred taxes.

NET INVESTMENT HEDGES

Currency risks resulting from the translation of foreign operations were not hedged in 2020. At the reporting date, there was still a positive amount of €25 million from terminated net investment hedges in the currency translation reserve, as in the previous year.

42.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments based on the relevant balance sheet items. The following table reconciles the financial instruments to the categories and their fair values as at the reporting date:

Reconciliation of carrying amounts in accordance with IFRS 9 and level classification

€m

	31 December 2019							31 December 2020						
					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	**12,559**	**12,430**	**129**	**448**		**347**		**14,344**	**14,238**	**106**	**473**		**392**	
Non-current financial assets	490	389	101	448		347		466	385	81	473		392	
Current financial assets[2]	369	341	28	n.a.				81	56	25	n.a.			
Other current assets[2]	277	277		n.a.				330	330		n.a.			
Trade receivables[2]	8,561	8,561		n.a.				8,985	8,985		n.a.			
Cash and cash equivalents[2]	2,862	2,862		n.a.				4,482	4,482		n.a.			
Equity instruments at fair value through other comprehensive income	**34**	**34**		**34**	**34**			**29**	**29**		**29**	**29**		
Non-current financial assets	34	34		34	34			29	29		29	29		
Equity instruments without recycling	34	34		34	34			29	29		29	29		
Debt instruments and equity instruments at fair value through profit or loss	**260**	**260**		**260**	**234**	**26**		**1,485**	**1,485**		**1,485**	**1,461**	**24**	
Non-current financial assets	235	235		235	234	1		251	251		251	250	1	
Debt instruments	233	233		233	233			249	249		249	249		
Equity instruments	1	1		1	1			1	1		1	1		
Derivatives designated as hedges	1	1		1		1		1	1		1		1	
Current financial assets	25	25		25		25		1,234	1,234		1,234	1,211	23	
Debt instruments								1,211	1,211		1,211	1,211		
Trading derivatives	21	21		21		21		22	22		22		22	
Derivatives designated as hedges	4	4		4		4		1	1		1		1	
Not IFRS 7	**2,716**			**n.a.**				**2,645**			**n.a.**			
Other non-current assets	395			n.a.				160			n.a.			
Other current assets	2,321			n.a.				2,485			n.a.			
TOTAL ASSETS	**15,569**	**12,724**	**129**	**742**	**268**	**373**		**18,503**	**15,752**	**106**	**1,987**	**1,490**	**416**	

	31 December 2019							31 December 2020						
					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	**24,555**	**14,254**	**10,301**	**6,051**	**5,600**	**451**		**26,740**	**16,281**	**10,459**	**7,861**	**7,268**	**593**	
Non-current financial liabilities[3]	13,736	5,591	8,145	6,000	5,600	400		15,850	7,212	8,638	7,822	7,268	554	
Other non-current liabilities	51	51		51		51		39	39		39		39	
Current financial liabilities[2]	3,216	1,060	2,156	n.a.				3,194	1,373	1,821	n.a.			
Trade payables[2]	7,225	7,225		n.a.				7,309	7,309		n.a.			
Other current liabilities[2]	327	327		n.a.				348	348		n.a.			
Liabilities at fair value through profit or loss	**23**	**23**		**23**		**23**		**54**	**54**		**54**		**54**	
Non-current financial liabilities[3]	1	1		1		1		1	1		1		1	
Earn-out obligation														
Trading derivatives														
Derivatives designated as hedges	1	1		1		1		1	1		1		1	
Current financial liabilities	22	22		22		22		53	53		53		53	
Earn-out obligation														
Trading derivatives	21	21		21		21		38	38		38		38	
Derivatives designated as hedges	1	1		1		1		15	15		15		15	
Not IFRS 7	**4,895**			**n.a.**				**5,076**			**n.a.**			
Other non-current liabilities	309			n.a.				289			n.a.			
Other current liabilities	4,586			n.a.				4,787			n.a.			
TOTAL EQUITY AND LIABILITIES	**29,473**	**14,277**	**10,301**	**6,074**	**5,600**	**474**		**31,870**	**16,335**	**10,459**	**7,915**	**7,268**	**647**	

[1] Relates to lease receivables or liabilities.
[2] The fair value is assumed to be equal to the carrying amount (IFRS 7.29a). Levels are not disclosed for these financial instruments.
[3] The Deutsche Post AG and Deutsche Post Finance B.V. bonds included in non-current financial liabilities are carried at amortised cost. Where required, the carrying amounts of unwound interest rate swaps were adjusted. The bonds are therefore not recognised fully at either fair value or amortised cost. The convertible bond issued by Deutsche Post AG in December 2017 had a fair value of €1,084 million as at the reporting date. The fair value of the debt component at the reporting date was €1,024 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.

There were no Level 3 financial assets or liabilities to report.

As in the previous year, no financial instruments were transferred between levels in the 2020 financial year.

The following table documents the net gains and losses of the categories of financial instruments:

Net gains and losses by measurement category

€m	2019	2020
Net gains/losses on financial assets		
Debt instruments at amortised cost[1]		
Net gains (+)/losses (–) recognised in profit or loss	–91	–176
Debt instruments at fair value through profit or loss (FVTPL)		
Net gains (+)/losses (–) recognised in profit or loss	40	34
Net gains/losses on financial liabilities		
Debt instruments at fair value through profit or loss (FVTPL)		
Net gains (+)/losses (–) recognised in profit or loss	–45	–41
Debt instruments at amortised cost		
Net gains (+)/losses (–) recognised in profit or loss	1	0

[1] Only effects from impairment losses are listed.

The net gains and losses mainly include the effects of fair value measurement, impairment and disposals of financial instruments. Dividends and interest are not taken into account for the financial instruments measured at fair value through profit or loss. Interest income and expenses and expenses from commission agreements relating to financial instruments measured at amortised cost are recognised separately in the income statement.

The following tables show the impact of netting agreements based on master netting arrangements or similar agreements on financial assets and financial liabilities as at the reporting date:

Offsetting – assets

€m

				Assets and liabilities not set off in the balance sheet		
	Gross amount of assets	Gross amount of liabilities set off	Recognised net amount of assets set off	Liabilities that do not meet offsetting criteria	Collateral received	Total
At 31 December 2020						
Derivative financial assets	24	0	24	18	0	**6**
Trade receivables	9,052	67	8,985	0	15	**8,970**
Funds	715	619	96	0	0	**96**
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**

Offsetting – liabilities

€m

				Assets and liabilities not set off in the balance sheet		
	Gross amount of liabilities	Gross amount of assets set off	Recognised net amount of liabilities set off	Assets that do not meet offsetting criteria	Collateral granted	Total
At 31 December 2020						
Derivative financial liabilities	54	0	54	18	0	**36**
Trade payables	7,376	67	7,309	0	0	**7,309**
Funds	619	619	0	0	0	**0**
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**

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 in respect of the specified contractual arrangements. Imports and exports between the parties to the agreement during a calendar year are summarised in an annual statement of account and presented on a net basis in the final annual statement. Receivables and payables covered by the Universal Postal Convention and the IRA-E agreement are presented on a net basis at the reporting date. In addition, funds are presented on a net basis if a right of 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

In addition to provisions and liabilities, the Group has contingent liabilities and other financial obligations. The contingent liabilities are broken down as follows:

Contingent liabilities

€m	2019	2020
Guarantee obligations	95	96
Warranties	22	13
Liabilities from litigation risks	284	183
Other contingent liabilities	485	440
Total	**886**	**732**

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 €1,582 million (previous year: €1,068 million). This relates mainly to the contract for the delivery of cargo aircraft signed with Boeing in 2018. By the end of 2020, ten new aircraft had been delivered and have entered service in our network. A new contract with an order for an additional eight Boeing 777 cargo aircraft was signed in December 2020.

44 Litigation

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

Revenue and earnings risk can arise in particular from the price cap procedure used to determine the rates for individual pieces of letter mail. The current rates for 2019 to 2021 were approved by *Bundesnetzagentur* on 12 December 2019 as part of the price cap procedure; the approved rates are in effect until 31 December 2021.

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

Moreover, the aforementioned CEP association had previously (on 4 December 2015) filed an action against the pricing approvals granted for the years from 2016 to 2018. On 27 May 2020, the German Federal Administrative Court ruled on the action brought against the pricing approvals for the years from 2016 to 2018. The only one of the approvals that the court deemed unlawful concerned the increase in the price of a standard domestic letter to €0.70 for the period from 2016 to 2018. The ruling is only directly applicable to the plaintiff. The amount in dispute was set by the German Federal Administrative Court at a mid-range, four-digit euro amount.

In the grounds for its decision, the court stated that the pricing approval in question was unlawful because the method used to calculate the allowable profit margin under the amended provisions of the 2015 *Post-Entgeltregulierungsverordnung* (PEntgV – Postal Rate Regulation Act) was not in compliance with the provisions of *Postgesetz* (PostG – German Postal Act) regarding the authority to issue statutory instruments. The German government plans to remedy this formal deficiency through an amendment to *Postgesetz*, which will allow previous regulatory practice to continue to a significant extent. *Bundesnetzagentur* will examine the consequences of the German Federal Administrative Court's ruling on the current pricing approvals granted for the years from 2019 to 2021.

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

In its ruling of 28 June 2016, *Bundesnetzagentur* determined that the prices for the Dialogpost "Impulspost" product did not meet the pricing standards of *Postgesetz*. The agency ordered the prices to be adjusted immediately (adjustment request). According to *Bundesnetzagentur*, the prices did not cover the cost of efficiently providing the service and had anti-competitive effects. On 26 July 2016, *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 *Bundesnetzagentur* and filed an appeal with the Cologne Administrative Court against the orders issued by the agency. The complaints were dismissed by the Cologne Administrative Court. Deutsche Post AG filed an appeal with Münster Higher Administrative Court; the proceedings are underway.

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 €132 million (previous year: €112 million) was recognised for share-based payments, €59 million (previous year: €50 million) of which was cash-settled and €73 million (previous year: €62 million) of which was 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 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.

A total of €46 million of the expenses under the Share Matching Scheme (previous year: €37 million) was attributable to equity-settled share-based payments. Some €35 million related to cash-settled share-based payments for investment shares (previous year: €25 million), all of which were unvested as at 31 December 2020.

Additional information on granting and settlement of these rights can be found in notes 32 and 33.

Share Matching Scheme

		2015 tranche	2016 tranche	2017 tranche	Alternative programme 2018 tranche	2019 tranche	2020 tranche
Grant date of incentive shares and associated matching shares		1 December 2015	1 December 2016	1 December 2017	–	1 December 2019	1 December 2020
Grant date of matching shares awarded for investment shares		1 April 2016	1 April 2017	1 April 2018	1 March 2019	1 April 2020	1 April 2021
Term	months	52	52	52	52	52	52
End of term		March 2020	March 2021	March 2022	June 2023	March 2024	March 2025
Share price at grant date (fair value)							
Incentive shares and associated matching shares	€	27.12	29.04	39.26	n.a.	33.29	40.72
Matching shares awarded for investment shares	€	23.98	31.77	34.97	27.30	23.83	40.50[1]
Number of deferred incentive shares	thousands	366	320	256	n.a.	369	212[2]
Number of matching shares expected							
Deferred incentive shares	thousands	n.a.	288	230	n.a.	332	191
Investment shares	thousands	n.a.	901	864	854	1,343	784
Matching shares issued	thousands	1,133					

[1] Estimated provisional amount, will be determined on 1 April 2021.
[2] Expected number.

45.2 Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management

Since the 2006 financial year, the company has granted members of the Board of Management cash remuneration linked to the company's long-term share price performance through the issue of stock appreciation rights (SARs) as part of a Long-Term Incentive Plan (LTIP). Participation in the LTIP requires Board of Management members to make a personal investment of 10% of their annual base salary by the grant date of each tranche, primarily in shares.

The SARs granted can be fully or partly exercised after the expiration of a four-year lock-up period at the earliest, provided absolute or relative performance targets have been achieved at the end of this lock-up period. After expiration of the lock-up period, the SARs must be exercised within a period of two years (exercise period); any SARs not exercised expire.

How many, if any, of the SARs granted can be exercised is determined in accordance with four (absolute) performance targets based on the share price and two (relative) performance targets based on a benchmark index. One-sixth of the SARs granted are earned each time the closing price of Deutsche Post shares exceeds the issue price by at least 10, 15, 20 or 25% at the end of the waiting period (absolute performance targets). Both relative performance targets are tied to the performance of the shares in relation to the STOXX Europe 600 Index (SXXP; ISIN EU0009658202). They are met if the share price equals the index performance or if it outperforms the index by more than 10%. Performance is determined by comparing the average price of Deutsche Post shares and the average index value during a reference and a performance period. The reference period comprises the last 20 consecutive trading days prior to the issue date. The performance period is the last 60 trading days before the end of the lock-up period. The average (closing) price is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra trading system. If absolute or relative performance targets are not met by the end of the lock-up period, the SARs attributable to them will expire without replacement or compensation. Each SAR exercised entitles the Board of Management member to receive a cash settlement equal to the difference between the average closing price of Deutsche Post shares for the five trading days preceding the exercise date and the exercise price of the SAR.

2006 LTIP

	Issue date	Issue price €	Waiting period expires
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	31.08	31 August 2022
2019 tranche	1 September 2019	28.88	31 August 2023
2020 tranche	1 September 2020	37.83	31 August 2024

The Board of Management members received a total of 816,498 SARs (previous year: 2,322,978 SARs) with a total value, at the time of issue, of €8.0 million (previous year: €9.9 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 €24 million (previous year: €26 million) for the 2020 financial year and a provision of €34 million (previous year: €23 million) as at the balance sheet date were recognised. The provision for the rights exercisable by the Board of Management amounted to €20 million at the reporting date (previous year: €17 million).

For further disclosures on share-based payment for members of the Board of Management, see note 46.2.

45.3 Performance Share Plan for executives

The Annual General Meeting on 27 May 2014 resolved to introduce the Performance Share Plan (PSP) for executives. Under the PSP, shares are issued to participants at the end of the waiting period. The granting of the shares at the end of the waiting period is linked to the achievement of demanding performance targets. The performance targets under the PSP are identical to the performance targets under the LTIP for members of the Board of Management.

Performance Share Units (PSUs) were issued to selected executives for the first time on 1 September 2014. It is not planned that members of the Board of Management will participate in the PSP. The Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management remains unchanged.

In the consolidated financial statements as at 31 December 2020, a total of €26 million (previous year: €25 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 2020 was 26 months.

Performance Share Plan

	2016 tranche	2017 tranche	2018 tranche	2019 tranche	2020 tranche
Grant date	1 September 2016	1 September 2017	1 September 2018	1 September 2019	1 September 2020
Exercise price	€28.18	€34.72	€31.08	€28.88	€37.83
Waiting period expires	31 August 2020	31 August 2021	31 August 2022	31 August 2023	31 August 2024
Risk-free interest rate	−0.62%	−0.48%	−0.39%	−0.90%	−0.72%
Initial dividend yield of Deutsche Post shares	3.73%	3.31%	3.70%	3.98%	3.57%
Yield volatility of Deutsche Post shares	23.94%	23.03%	22.39%	21.38%	24.89%
Yield volatility of Dow Jones EURO STOXX 600 Index	16.83%	16.34%	16.29%	14.79%	16.62%
Covariance of Deutsche Post shares to Dow Jones EURO STOXX 600 Index	2.93%	2.78%	2.66%	2.21%	3.05%
Quantity					
Rights outstanding at 1 January 2020	3,238,494	2,750,538	3,163,518	3,506,304	0
Rights granted	0	0	0	0	2,649,516
Rights lapsed	623,494	119,052	121,470	89,040	4,122
Rights settled at the end of the waiting period	2,615,000	0	0	0	0
Rights outstanding at 31 December 2020	0	2,631,486	3,042,048	3,417,264	2,645,394

46 Related party disclosures

46.1 Related party disclosures (companies and Federal Republic of Germany)

All companies that are controlled by the Group or with which a joint arrangement exists, or over which the Group can exercise significant influence, are recorded in the list of shareholdings.

Deutsche Post AG maintains a variety of relationships with the Federal Republic of Germany (Federal Republic) and other companies controlled by the Federal Republic of Germany.

The Federal Republic is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG has direct business relationships with the individual public authorities and other government agencies as independent individual customers. The services provided for these customers are insignificant in respect of Deutsche Post AG's overall revenue.

RELATIONSHIPS WITH KFW

KfW supports the Federal Republic in continuing to privatise companies such as Deutsche Post AG or Deutsche Telekom AG. In 1997, KfW, together with the Federal Republic, developed a "placeholder model" as a tool to privatise government-owned companies. Under this model, the Federal Republic sells all or part of its investments to KfW with the aim of fully privatising these state-owned companies. On this basis, KfW has purchased shares of Deutsche Post AG from the Federal Republic in several stages since 1997 and executed various capital market transactions using these shares. KfW's current interest in Deutsche Post AG's share capital is 20.49%. Deutsche Post AG is thus considered to be an associate of the Federal Republic.

RELATIONSHIPS WITH *BUNDESANSTALT FÜR POST UND TELEKOMMUNIKATION* (BANST PT)

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. BAnst PT continues to manage the social facilities such as the postal civil servant health insurance fund, the recreation programme, *Postbeamtenversorgungskasse* (PVK – Postal civil servant pension fund), *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 2020, Deutsche Post AG was invoiced for €143 million (previous year: €137 million) in instalment payments relating to services provided by BAnst PT. Further disclosures on PVK and VAP can be found in notes 6 and 36.

RELATIONSHIPS WITH THE GERMAN FEDERAL MINISTRY OF FINANCE

In the 2001 financial year, 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 *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 2020, this initiative resulted in 39 permanent transfers (previous year: 57) and 5 secondments with the aim of a permanent transfer in 2021 (previous year: 5).

RELATIONSHIPS WITH THE GERMAN FEDERAL EMPLOYMENT AGENCY

Deutsche Post AG and the German Federal Employment Agency entered into an agreement dated 12 October 2009 relating to the transfer of Deutsche Post AG civil servants to the Federal Employment Agency. In 2020, this initiative resulted in 4 permanent transfers (previous year: 3).

RELATIONSHIPS WITH DEUTSCHE BAHN AG AND ITS SUBSIDIARIES

Deutsche Bahn AG is wholly owned by the Federal Republic. Owing to this control relationship, Deutsche Bahn AG is a related party to Deutsche Post AG. Deutsche Post DHL Group has various business relationships with the Deutsche Bahn Group. These mainly consist of transport service agreements.

RELATIONSHIPS WITH PENSION FUNDS

The real estate with a fair value of €1,563 million (previous year: €1,502 million) – which can be offset as plan assets – of which Deutsche Post Pensions-Treuhand GmbH & Co. KG, Deutsche Post Altersvorsorge Sicherung e.V. & Co. Objekt Gronau KG and Deutsche Post Grundstücks-Vermietungsgesellschaft beta mbH Objekt Leipzig KG are the legal owners, is let – almost exclusively via Deutsche Post Immobilien GmbH – to the Group. These arrangements led to lease liabilities of €494 million as at 31 December 2020 (previous year: €509 million). In the 2020 financial year, Deutsche Post Immobilien GmbH extinguished €24 million in lease liabilities (previous year: €21 million) and paid €16 million in interest (previous year: €17 million). 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 the 2020 financial year with major related parties, resulting in the following items in the consolidated financial statements:

€m	Investments accounted for using the equity method		Unconsolidated companies	
	2019	2020	2019	2020
Trade receivables	14	5	5	3
Loans	0	1	1	1
Receivables from in-house banking	16	0	0	0
Financial liabilities	1	0	2	3
Trade payables	14	3	5	2
Income[1]	12	8	3	0
Expenses[2]	1	1	11	15

[1] Relates to revenue and other operating income. [2] Relates to materials expense, staff costs and other operating expenses.

Deutsche Post AG issued letters of commitment in the amount of €4 million (previous year: €7 million) for these companies. Of this amount, €1 million (previous year: €2 million) was attributable to investments accounted for using the equity method, €1 million (previous year: €1 million) to joint operations and €2 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 the 2020 financial year. In particular, the company granted no loans to these related parties.

The remuneration of key management personnel of the Group requiring disclosure under IAS 24 comprises the remuneration of the active members of the Board of Management and the Supervisory Board.

The active members of the Board of Management and the Supervisory Board were remunerated as follows:

€m	2019	2020
Short-term employee benefits (excluding share-based payment)	16	15
Post-employment benefits	2	3
Termination benefits	0	0
Share-based payment	12	19
Total	**30**	**37**

The employee representatives on the Supervisory Board employed by the Group also receive their normal salaries for their work in the company in addition to the aforementioned benefits for their work on the Supervisory Board. These salaries are determined at levels that are commensurate with the salary appropriate for the function or work performed in the company.

Post-employment benefits are recognised as the service cost resulting from the pension provisions for active members of the Board of Management. The corresponding liability amounted to €44 million at the reporting date (previous year: €38 million).

The share-based payment amount relates to the relevant expense recognised for the 2019 and 2020 financial years; 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 €	2019 SARs	2020 SARs
Dr Frank Appel, Chairman	5,026	7,625
Ken Allen	3,519	4,484
Oscar de Bok (since 1 October 2019)	0	27
John Gilbert (until 30 September 2019)	1,595	–
Melanie Kreis	1,518	3,422
Dr Tobias Meyer (since 1 April 2019)	60	457
Dr Thomas Ogilvie	276	1,428
John Pearson (since 1 January 2019)	60	457
Tim Scharwath	292	1,518
Share-based payment	**12,346**	**19,418**

46.3 Remuneration disclosures in accordance with HGB

BOARD OF MANAGEMENT REMUNERATION

The remuneration paid to members of the Board of Management in the 2020 financial year totalled €12.6 million (previous year: €13.6 million). Non-performance-related components (fixed and fringe benefits) accounted for €8.3 million (previous year: €8.2 million) and €4.3 million (previous year: €5.5 million) was attributable to the annual bonus paid as a performance-related component. An additional €3.9 million (previous year: €2.9 million) of the annual bonus was transferred to the medium-term component (deferral). In the 2020 financial year, the Board of Management members additionally received a total of 816,498 SARs (previous year: 2,322,978 SARs), which were valued at €8.0 million at the issue date (previous year: €9.9 million).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

Benefits paid to former members of the Board of Management or their surviving dependants amounted to €8.9 million (previous year: €6.3 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs was €105 million (previous year: €100 million).

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in the 2020 financial year amounted to €2.6 million; as in the prior year, €2.4 million of this amount was attributable to a fixed component and €0.2 million to attendance allowances.

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found 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 2020, 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.

47 Auditor's fees

The fee for the auditor of the consolidated financial statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, amounted to €11 million in the 2020 financial year and was recognised as an expense.

Auditor's fee

€m

	2020
Audit services	11
Other assurance services[1]	0
Tax advisory services	0
Other services[1]	0
Total	**11**

[1] Rounded below €1 million.

The audit services category includes the fees for auditing the consolidated financial statements and for auditing the annual financial statements prepared by Deutsche Post AG and its German subsidiaries. The fees for reviewing the interim reports, support by auditors in connection with implementing new accounting requirements and the fees for voluntary audits beyond the statutory audit engagement, such as audits of the internal control system (ICS), are also reported in this category.

Other assurance services related in particular to attestation reports relating to the internal control system. Other services was comprised mainly of services relating to upgrades to the internal control systems outside the financial organisation.

48 Exemptions under HGB and local foreign legislation

For the 2020 financial year, the following German subsidiaries have exercised the simplification options under section 264(3) HGB or section 264b HGB and, if applicable, section 291 HGB:

- Agheera GmbH
- Albert Scheid GmbH
- CSG GmbH
- CSG.TS GmbH
- Danzas Deutschland Holding GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Assekuranz Vermittlungs GmbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post DHL Beteiligungen GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH
- 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 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 IT Services (Berlin) GmbH
- Deutsche Post Mobility GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Zahlungsdienste GmbH
- DHL 2-Mann-Handling GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL Automotive Offenau GmbH
- DHL Consulting GmbH
- DHL Delivery GmbH
- DHL Express Customer Service GmbH
- DHL Express Germany GmbH
- DHL Express Network Management GmbH
- DHL 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 Paket GmbH
- Betreibergesellschaft Verteilzentrum GmbH (formerly: 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

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 Investments Limited
- Exel Overseas Limited
- Freight Indemnity and Guarantee Company Limited
- Ocean Overseas Holdings 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 the 2020 financial year required by section 161 AktG. This Declaration of Conformity can be accessed online at dcgk.de/en and at the company's website.

50 Significant events after the reporting date and other disclosures

No events requiring disclosure occurred 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, 19 February 2021

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

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents to be audited) to which the separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

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, 2020, 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, 2020, 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 summarized with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with 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 and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, 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, 2020. 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 11.0 billion is reported under the balance sheet item "Intangible assets", representing approximately 20% of total assets and 78% of the Group's reported equity. Goodwill is tested for impairment by the Company on an annual basis as of November 30 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 comparatively lower 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 to be 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 5.8 billion is reported under the balance sheet item "Provisions for pensions and similar obligations". The net pension provisions of EUR 5.8 billion were calculated on the basis of the present value of the obligations amounting to EUR 19.7 billion, netted against the plan assets of EUR 13.9 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 1.6 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 contained in the "Governance" section of the group management report under § 289 f HGB and § 315 d HGB
- the non-financial statement under § 289 b Abs. 1 HGB and § 315 b Abs. 1 HGB contained in the "non-financial statement" section of the group management report

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Audit Opinion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file DP_AG_KA+KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette *[Bundesanzeiger]*.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on August 27, 2020. We were engaged by the Supervisory Board on November 30, 2020. We have been the group auditor of Deutsche Post AG, Bonn without interruption since the Company first met the requirements of a public-interest entity within the meaning of Section 319a Abs. 1 Satz 1 HGB in financial year 2000.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor Responsible for the engagement is Verena Heineke.

Düsseldorf, 19 February 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm	Verena Heineke
Wirtschaftsprüfer	*Wirtschaftsprüferin*
(German Public Auditor)	(German Public Auditor)

INDEPENDENT PRACTITIONER'S REPORT

on a Limited Assurance Engagement on Non-financial Reporting

PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined non-financial statement and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

To Deutsche Post AG, Bonn

We have performed a limited assurance engagement on the combined non-financial statement pursuant to §§ (Articles) 289b (paragraph) Abs. 1 and 315b Abs. 1 HGB (*"Handelsgesetzbuch"*: "German Commercial Code") contained in section "Non-financial Statement" of the combined management report of Deutsche Post AG, Bonn, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Statement").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Statement in accordance with §§ 315 c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Statement that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors *("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP")* as well as the Standard on Quality Control 1 published by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms *(IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1)* – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Statement based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Statement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Statement for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315 c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of Company's management and personnel involved in the preparation of the Non-financial Statement regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Statement
- Identification of the likely risks of material misstatement of the Non-financial Statement
- Inspection of processes for collecting, controlling, analyzing and aggregating selected data at specific sites of the Company
- Analytical evaluation of selected disclosures in the Non-financial Statement
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Statement for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315 c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Düsseldorf, 19 February 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink ppa. Thomas Groth
Wirtschaftsprüfer
(German public auditor)

FINANCIAL CALENDAR

2021

5 May	**Results of the first quarter of 2021**
6 May	**2021 Annual General Meeting**
11 May	**Dividend payment**
5 August	**Results of the first half of 2021**
4 November	**Results of the first nine months of 2021**

2022

9 March	**Results of financial year 2021**
3 May	**Results of the first quarter of 2022**
6 May	**2022 Annual General Meeting**
11 May	**Dividend payment**
5 August	**Results of the first half of 2022**
8 November	**Results of the first nine months of 2022**

Updates to the financial calendar as well as information on live webcasts can be found on our **Reporting hub.**

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ORDERING

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