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Erfolgreiche Investorenedukation zur Bilanzierung von Pensionen und Rückstellungen

Martin Ziegenbalg, Head of Investor Relations
DIRK Mitgliederversammlung Bonn, 18. Oktober 2013

Tutorial Workshops – Next focus topic: Accounting of provisions and pensions

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Rationale:

- Pro-actively address investor questions on our provisions and esp. pension exposure
- Purpose remains to educate, i.e.not generate newsflow or set new targets but strengthen confidence in balance sheet and understanding of cash uses

Planned format:

- 2-3 hour sessions with briefing and Q&A session
- Presented by internal experts from Accounting / Pensions (supported by IR)
- Locations: Frankfurt, London, New York

Main topics:

- Reminder of relevant accounting basics on provisions
- Effect of provision movement on P&L and Cash Flow: current status, major trends
- Focus topic Pension: types of pension commitments at DPDHL, P&L and cash effects, changes from IAS19
- Focus topic Other Provisions: content and scope, P&L and cash effects

Capital Markets Tutorial Workshop
Invitation

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INVITATION
CAPITAL MARKETS TUTORIAL WORKSHOP
London – April 18th, 2013
Frankfurt – April 19th, 2013

Investor Relations

Dear All,

Following our Capital Markets Tutorial Workshop focused on the Supply Chain Division, we would like to turn to another topic of interest to the investment community.

The next tutorial workshop will address the topic of accounting for provisions and pensions and will be hosted by Lawrence Rosen, CFO.

As previously, the workshops will be offered both in Frankfurt and London and will take no more than half a day.

Please choose the date/venue that suits your schedule best and confirm your participation by email to simone.krebs@deutschepost.de

You will find further information on the flyer on page 2.

Best regards,

Martin Ziegenbalg

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CAPITAL MARKETS
TUTORIAL WORKSHOP

London
April 18th, 2013

Agenda
13:00 – 15:30
- Accounting for Provisions
- Accounting for Pensions
- Cash Flow implications

Presenter
Lawrence Rosen, CFO
Benedikt Köster, Head of Group Pensions
Andreas Duhr, Head of Accounting Policies
Andreas Muzzu, Partner - Ernst & Young

Venue
Nomura International plc
One Angel Lane,
London, EC4R 3AB

Frankfurt
April 19th, 2013

Agenda
10:00-12:30
- Accounting for Provisions
- Accounting for Pensions
- Cash Flow implications

Presenter
Lawrence Rosen, CFO
Benedikt Köster, Head of Group Pensions
Andreas Duhr, Head of Accounting Policies
Andreas Muzzu, Partner - Ernst & Young

Venue
The Westin Grand Frankfurt
Konrad-Adenauer-Straße 7
60313 Frankfurt am Main

Please informally confirm your participation by email to:
simone.krebs@deutschepost.de

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Capital Markets Tutorial Workshop

Today´s Agenda

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	Introduction	**L. Rosen (LAR)**
1	**Major principles of provision & pension accounting**	**A. Muzzu (AM)**
2	**DPDHL Pension provision**	**B. Köster (BKO)**
	Coffee Break	
3	**DPDHL Other provisions**	**A. Duhr (AD)**
4	**Summary and Q&A**	**L. Rosen / All**

Capital Markets Tutorial Workshop Scope

Focus on Pension and Other Provisions

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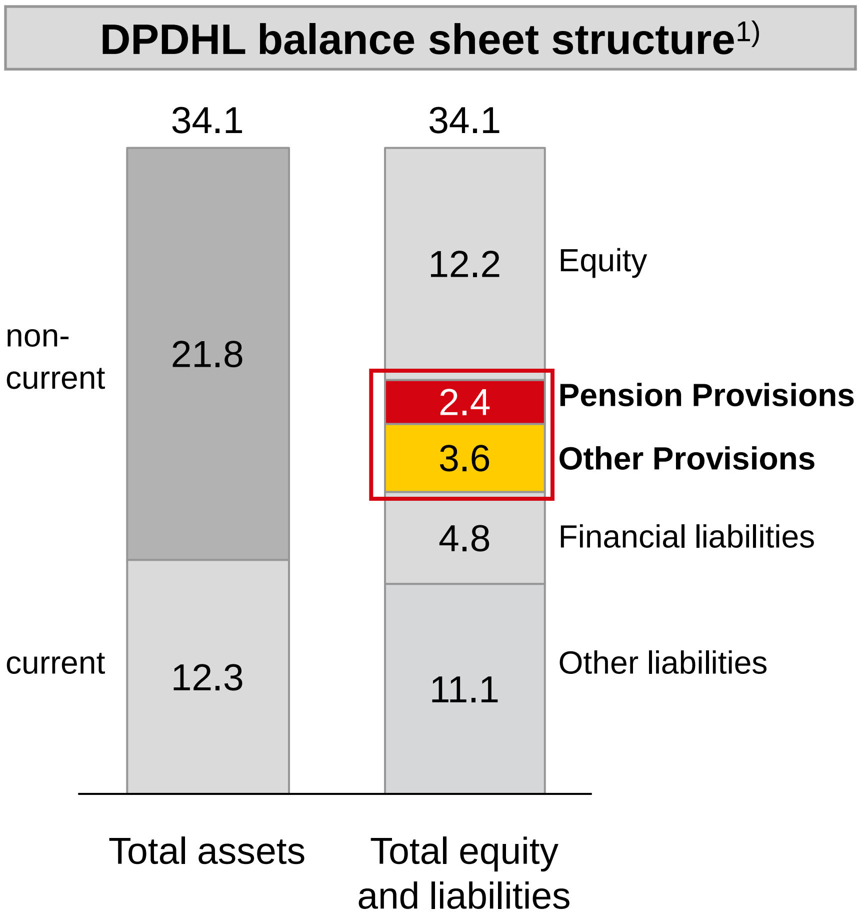
Speaker: LAR



Second in our series of Capital Market Tutorial Workshops

- Scope: increase understanding of provision movements impact on our cash flow performance
- Provisions reflect business activities and DPDHL history
  - Typical German pay-as-you-go pension system
  - Pension commitments for higher Mail employee base in the past
  - US Express restructuring

1) in EUR bn, as reported per 31/12/2012

Cash outflows from Pension and Other Provisions

Declining cash usage from provisions leading to better FCF generation

Cash costs for pensions to decline

• EUR ~80m benefits paid through plan assets rather than OCF from 2013 onwards

• Slow further decline thereafter, reflecting receding entitlements over time

Utilization of historic provisions further tailing off going forward

• Remaining tail US cash-outs mainly in 2013/14

• No continuous significant cash uses expected over time as most provisions are recurring in nature

Pension and Provision Accounting

The most common questions and misconceptions

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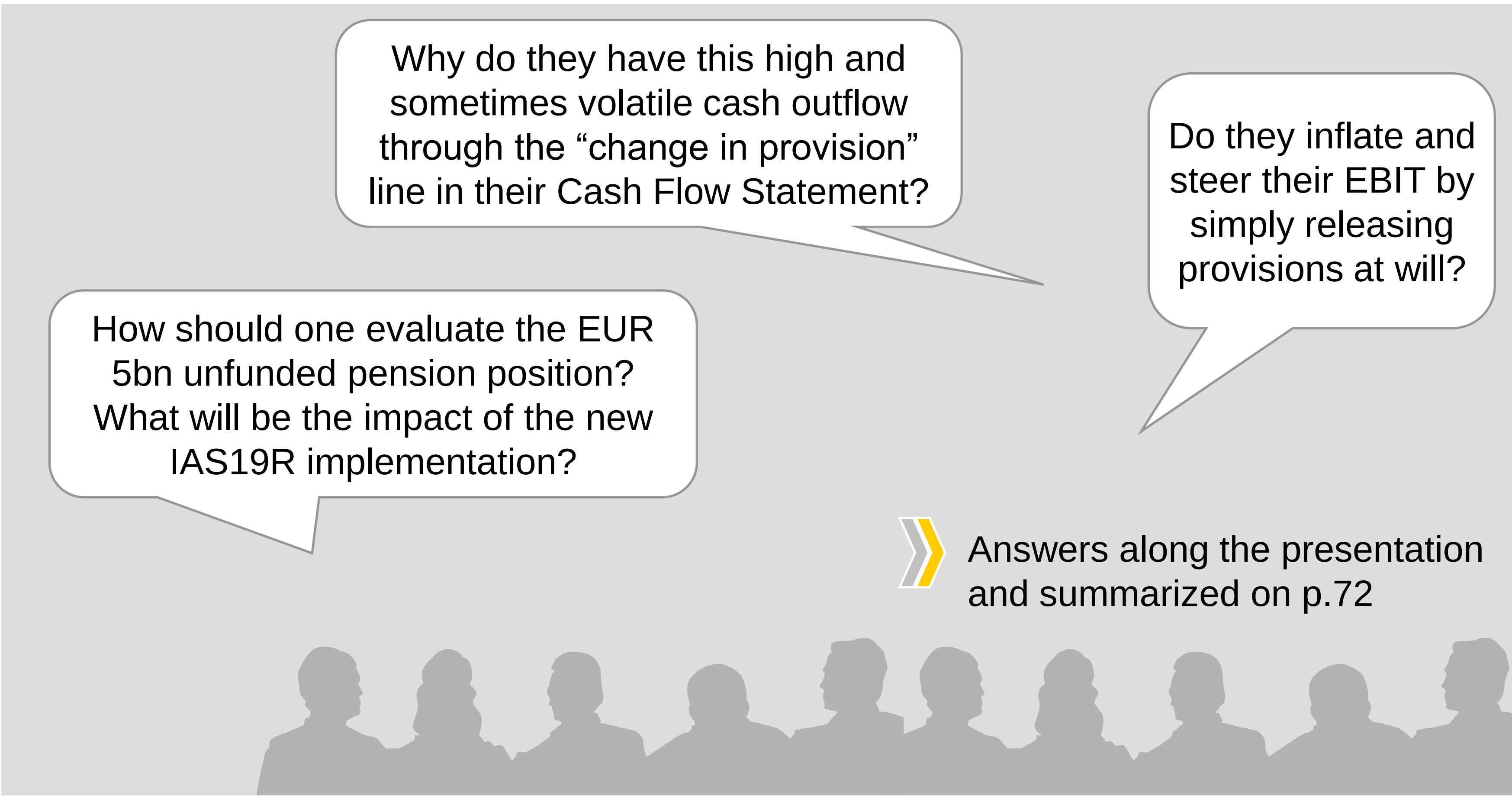
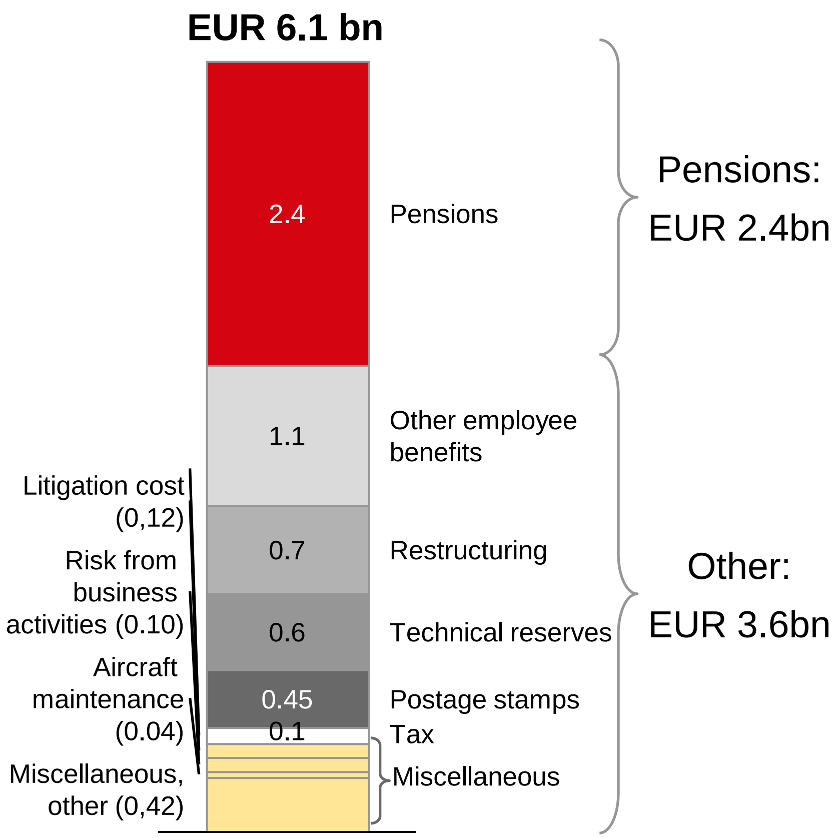
LAR



Answers along the presentation and summarized on p.72

DPDHL: overview of provisions[1)]



1) in EUR bn, as reported per 31/12/2012

Tutorial Topics on the agenda today

- Accounting treatment
  (P&L vs Cash Flow Statement)
- DPDHL pension plans and funded status
- Scope of Other Provisions at DPDHL
- Implications and outlook for DPDHL Free Cash Flow generation

Today´s speakers

Andreas Muzzu

Partner, FAAS Financial Accounting Advisory Services
Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Benedikt Köster

Head of Group Pensions
Deutsche Post DHL

Andreas Duhr

Head of Accounting Policies
Deutsche Post DHL

DPDHL Capital Markets Tutorial Workshop

Agenda

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1	**Major principles of provision & pension accounting**	**A. Muzzu**
2	DPDHL Pension provision	B. Köster
3	DPDHL Other provisions	A. Duhr
4	Summary and Q&A	L. Rosen / All

Major principles of provision accounting
Definition of liabilities

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AM

Liabilities

Financial liabilities

- Present **contractual** obligation
- arising from past events
- to result in a cash outflow

Provisions

- Liability of **uncertain timing or amount**
- arising from past events

• Pension provision	• Other long-term employee benefits • Short-term employee benefits • Termina-tion benefits	• Share based payments (cash-settled)	• Restruct-uring • Onerous contracts • etc.

Contingent liabilities

- **Possible** obligation
- arising from past events
- 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 entity
- -> not recognized in balance sheet

	Financial liabilities	Provisions		Contingent liabilities
Examples:	bonds	pensions	early retirement / restructuring	lawsuit

Major principles of provision accounting

Key take-away´s

- Arbitrary recognition of provisions prohibited
  – Requirement of obligation due to third parties

- Probability criterion: room for management judgement
  – Support through experts (lawyers, actuaries etc.) and review through auditors

- Consistent application of accounting policies proscribed

- Indirect CF statement: limited insights on cash effects from provisions

Major principles of pension accounting

Definitions, Post-employment benefits

Defined Contribution Plan

Obligation limited to the amount of fixed contributions paid to a fund

- No legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits
- Risks (actuarial, investment) fall on the employee
- Cost to the employer is fixed and predictable

Balance sheet impact

- No recognition

P&L impact

- Contributions are expensed as staff costs in the period service is rendered

Example

- US 401k plans
- German employer contribution to federal pension plans
- German civil servant pension contribution

Defined Benefit Plan

All other plans

- Risks fall to the employer
  - Actuarial risks (mortality rates, salary increases, inflation)
  - Investment risks (performance of plan assets)
- The eventual cost to the employer is more difficult to predict (estimated through actuarial assumptions)

Balance sheet impact

- Recognition of the obligation to pay pensions, discounted to its present value (DBO) – netting out with pension‘s assets in case of funded plans

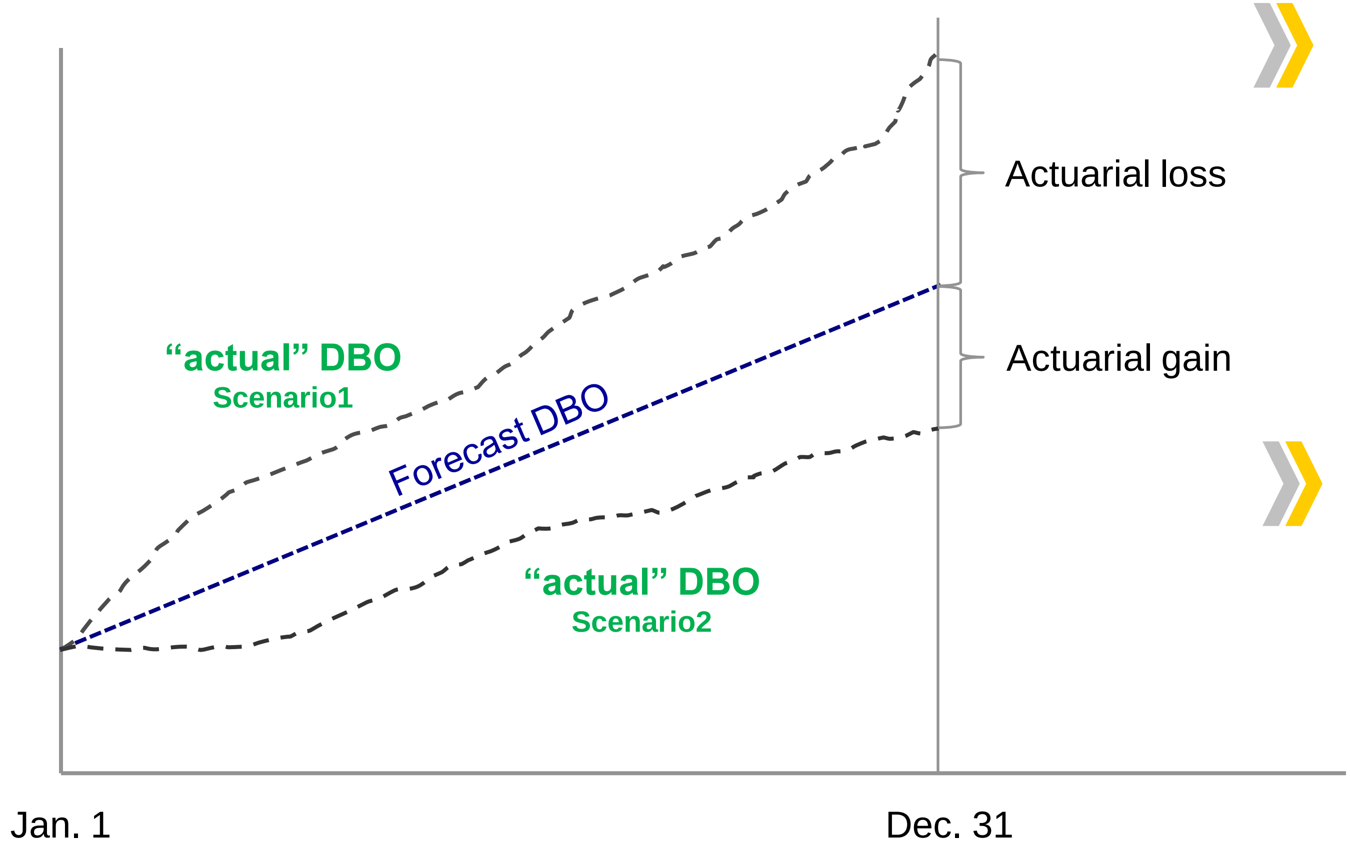
P&L impact

- Periodical net pension expense in staff costs and finance costs

Necessary steps to determine pension obligation

1. Estimating the benefit earned to date by employees
2. Discounting that amount to present value
3. Determining the fair value of plan assets
4. Determining the amount of actuarial gains and losses and how they should be treated under the standard

actuarial gains / losses = deviation between DBO forecast and actual DBO as of balance sheet date due to external factors



e.g.
- Discount rate lower than expected
- Mortality rate lower than expected
- Revision of expected salary increases (up)

e.g.
- Discount rate higher than expected
- Mortality rate higher than expected
- Revision of expected salary increases (down)

How to account for an actuarial gain / loss?

4. Accounting for Actuarial gains and losses <u>until 2012</u>

Recognition IAS 19

used by DPDHL until 2012

- Immediately
  - Through P&L
  - Through equity
  - insofar net DBO is presented in balance sheet
  - Through equity: Recognition of actuarial gains/losses directly in equity
  - **DPDHL as of Q1 13**
- Corridor-approach
  - Within corridor
  - Outside corridor
  - Net DBO is not fully presented in balance sheet
  - Within corridor: No effects on P&L
  - Outside corridor: Portion outside corridor to be recognized in P&L over expected average remaining working lives of employees or faster

Corridor definition: If actuarial gains/losses cumulatively exceed 10 % of both (plan assets and plan liabilities), the excess over 10 % need to be recognized. To be spread over the (average) remaining working life of employees

Major principles of pension accounting

Pension provision under new IAS19R

Recognition IAS 19 R

- **Immediately**
  - Through P&L
  - Through equity
  - insofar net DBO is presented in balance sheet
  - Through equity: Recognition of actuarial gains/losses directly in equity
  - **DPDHL as of Q1 13**
- **Corridor-approach** (**formerly used by DPDHL**)
  - Within corridor
  - Outside corridor
  - Net DBO is not fully presented in balance sheet
  - Within corridor: No effects on P&L
  - Outside corridor: Portion outside corridor to be recognized in P&L over expected average remaining working lives of employees or faster

Major principles of pension accounting

Pension Provision under new IAS19R

P&L expenses from DBO pension as of 2013

IAS 19 R (2013) Pension expense =		P&L line	Balance Sheet
	current service cost	staff costs	
+	net interest expense (net pension liability x discount rate)	Other finance cost	
-	actual return on plan assets (i.e. below or above discount rate included in net interest expense)	–	Equity
-/+	actuarial gains and losses	–	Equity
+	past service cost[1)]	staff costs	
+/-	effect of any curtailments or settlements	staff costs	

1) Change of DBO resulting from changes (e.g. improvements) to pension programs

Major principles of pension accounting

Main Accounting changes from IAS19R on pension accounting

Immediate recognition of any actuarial gains and losses

Corridor approach removed

- Recognize changes in value of pension assets and liabilities as they occur (quarterly)
- “Smoothing“ of balance sheet fluctuations no longer allowed
- Higher volatility in net assets for entities that applied the corridor approach

Removing expected returns on plan assets

Post-employment benefits

- Service costs and net interest income (expense) recorded in P&L, remaining changes through OCI
- Expected returns are no longer recognized in P&L

Effective date

Effective for annual periods beginning 1 January 2013

- Retrospective application: restated 2012 balance sheet and P&L (IAS 8), incl. restated opening balance sheet 2012
- Restatement has no cash impact

[redacted]

Agenda

1	Major principles of provision & pension accounting	A. Muzzu
2	**DPDHL Pension provision**	**B. Köster**
3	DPDHL Other provisions	A. Duhr
4	Summary and Q&A	L. Rosen / All

Overview: 3 different types of pension plans at DPDHL

Defined Contribution Plans

1 DPDHL Defined Contribution plans
(see note 6 of AR 2012)

– 70.000 active employees

– in various countries

(see presentation p. 33)

2 Pensions for civil servants
(see note 6, AR 2012)

– contribution for 42.000 still active civil servants

(see presentation p. 34)

Defined Benefit Plans

3 DPDHL Defined Benefit plans
(see note 41 of AR 2012)

– 200.000 active employees

– 350.000 former employees

– in various countries

(see presentation p. 35–47)

DPDHL Pension provision

Summary of P&L / Cash Flow effects and expected trend

	DPDHL Pensions in 2012			Outlook	
in EURm	2012 P&L effect (EBIT)	Total related cash-out	Cash-out beyond EBIT	Expected P&L trend	Trend of cash-out beyond EBIT
Defined Contri-bution	238	238 (staff costs = cash cost)	0	Slow increase in line with salary trend and mandatory requirements	To remain 0
Civil servants	542	542 (staff costs = cash cost)	0	Halved by 2025 as number of civil servants declines	To remain 0
Defined Benefit	204	566[1)] (benefits partly paid out of OCF)	362	Besides impact of assumptions like discount rates, slow gradual decline as entitlements decline	Decline by EUR 80m as of 2013 (additional return on plan assets from pension funding) – slow decline thereafter as number of entitlements decline

1) excl. EUR 1.986bn employee contribution from pension funding

DPDHL Pension provision

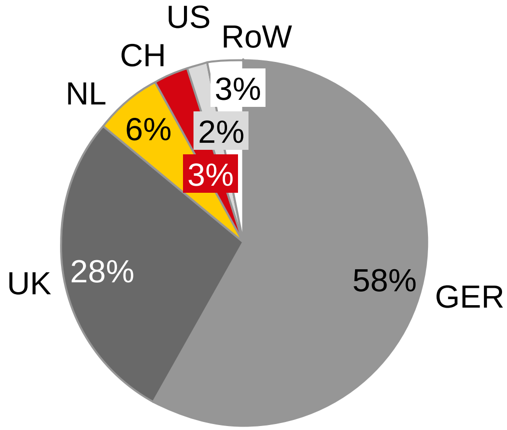
DPDHL present value of DBO

Actuarial assumptions[1)]

%	Germany	UK	Other euro zone	Switzerland	USA
31 12 2012					
Discount rate	3,70	4,50	3,70	1,75	4,00
Rate of future salary increase	2,50	3,50	2,12	2,25	–
Future inflation rate	2,00	3,00	2,00	1,25	–

Pension obligation by country[2)]

In % of total DBO (EUR 14.7bn)



- Total NPV of defined benefit obligations (DBO) amounted to EUR 14,7bn at 31.12.2012
- Net present value of pension commitments is calculated based on actuarial assumptions including country-related mortality tables
- Increase of DBO during 2012 by approx. EUR 1,3bn due to lower discount rates (i.e. increase mainly due to global quantitative easing but no increase in e.g. benefits paid)
- Increase of Service Costs from 2012 to 2013 by approx. EUR 30m due to lower discount rates

1) DPDHL AR 2012 Notes 41.2 (page 180); 2) DPDHL AR 2012 Notes 41.4 (page 181)

DPDHL Pension provision

DPDHL fair value of plan assets

Asset allocation[1)]

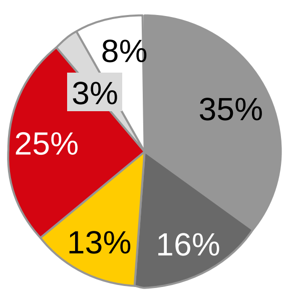
The plan assets are composed of fixed-income securities (35%; previous year: 45%), equities and investment funds (16%; previous year: 18%), real estate (13%; previous year: 17%), cash and cash equivalents (25%; previous year: 6%), insurance contracts (3%; previous year: 4%) and other assets (8%; previous year: 10%). Other assets primarily comprise alternative investments.

The increase in the cash and cash equivalents component and the resulting shift in importance for the other asset classes relate to the funding, in the amount of approximately €2 billion, of plan assets in Germany in December 2012. These funds had been invested exclusively in money market funds as at the end of 2012.

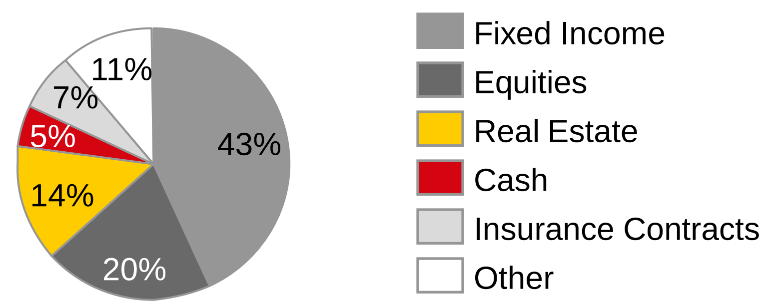
77% (previous year: 79%) of the real estate has a fair value of €995 million (previous year: €1,011 million) and is owner-occupied by Deutsche Post AG.

- Total Pension Plan Assets amounted to EUR 9,8bn at 31.12.2012
- Assets strongly increased in December 2012 due to additional EUR 2bn funding in Germany (financed through EUR 2bn bond issue); therefore, target asset allocation not yet fully reflected at 31.12.2012
- Target asset allocation reflects DPDHL's long-term investor perspective, liability profile and risk-return considerations

"Interim" asset allocation at 31.12.2012



Target asset allocation (mid 2013)



1) DPDHL AR 2012 Notes 41.6 (page 183)

DPDHL Pension provision

Recap of EUR 2bn pension funding in Q4 2012

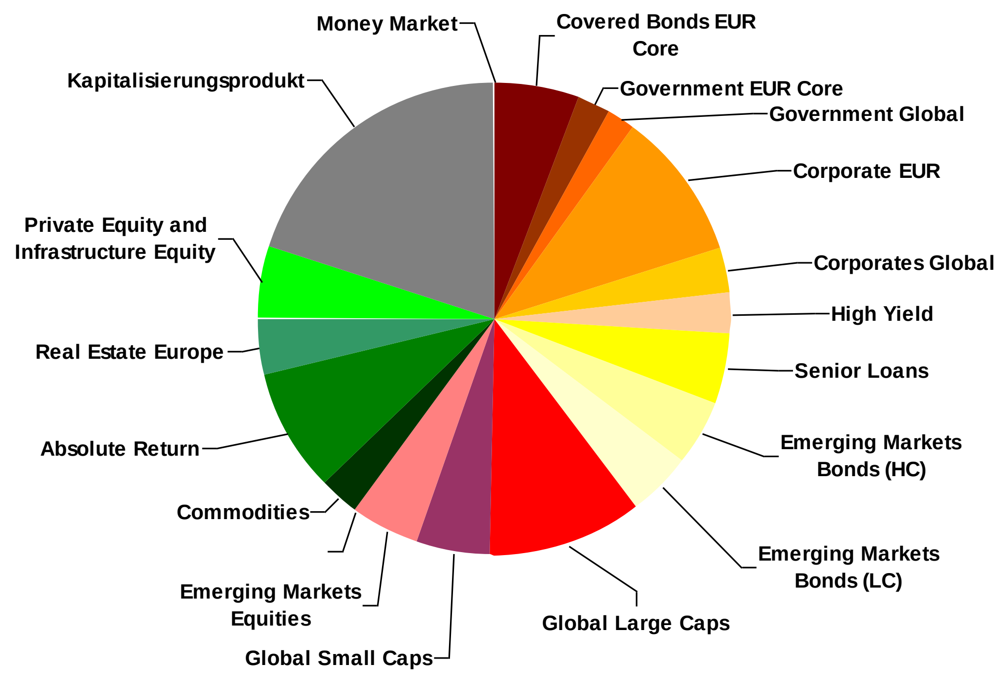
EUR 2 bn bond issuance,
<u>average coupon of ~1.6%</u>

- Low interest rate environment
- Strong DPDHL reputation

Proceeds injected to pension assets,
<u>expected return of 4%</u>

- Expected return based on external asset-allocation studies (Towers Watson and risklab)
- Optimal allocation to 15 asset classes based on 10-year historic risk/return

Recommended asset allocation



Net benefit to DPDHL

- Higher return on plan assets vs interest costs in net financial income in P&L
- Additional return on plan assets (EUR ~80m expected) to reduce pension benefit payments out of Operating Cash Flow (vs. EUR ~32m higher interest cost in Financing Cash Flow)

DPDHL Pension provision

DPDHL net pension exposure = PV of DBO – pension assets

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DPDHL AR 2012 Notes 41.4 (page 181)

€ m	Germany	UK	Other	Total
2012				
Present value of defined benefit obligation at 31 December for wholly or partly funded benefits	8.317	4.107	1.807	**14.231**
Present value of defined benefit obligation at 31 December for unfunded benefits	291	9	217	**517**
Present value of total defined benefit obligation at 31 December	8.608	4.116	2.024	**14.748**
Fair value of plan assets at 31 December	– 4,129	– 3,936	– 1,693	**– 9,758**
unrecognised gains (+) / losses (–)	– 2,374	– 388	– 320	**– 3,082**
unrecognised past service cost	0	0	0	**0**
asset adjustment for asset ceiling	0	0	0	**0**
Net pension provisions at 31 December	**2.105**	**– 208**	**11**	**1.908**
Pension assets at 31 December	0	325	209	**534**
Provisions for pensions and similar obligations at 31 December	**2.105**	**117**	**220**	**2.442**

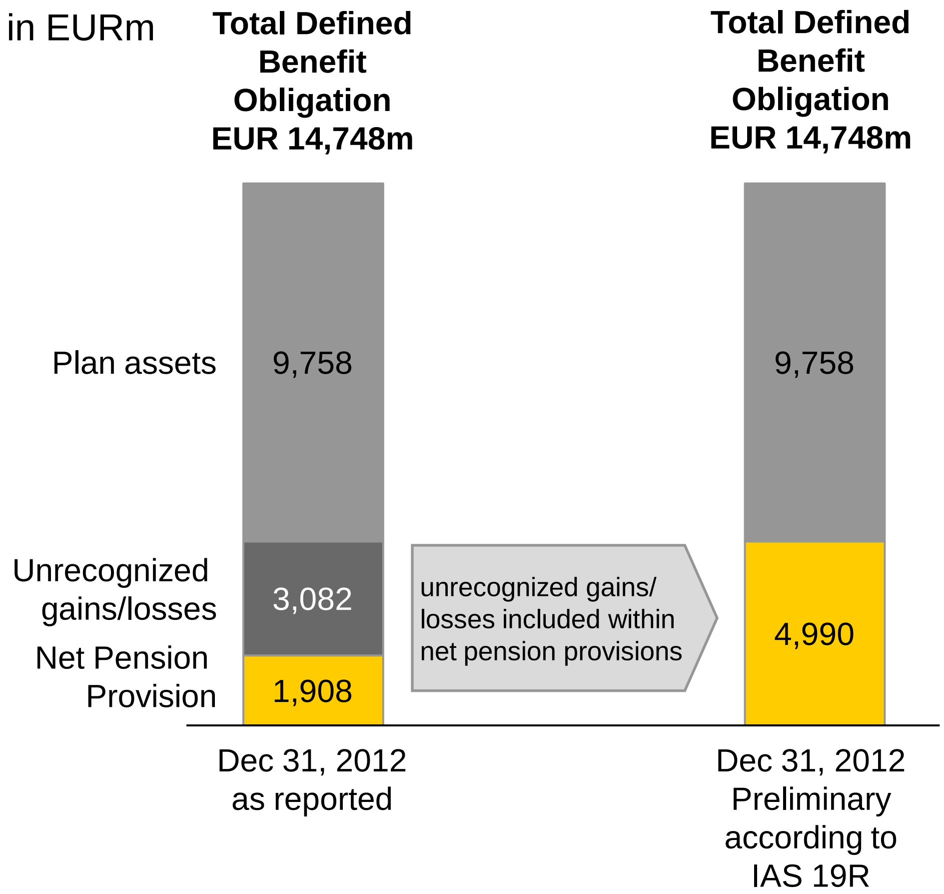
€ m	Total
2012	
Present value of total defined benefit obligation at 31 December	**14.748**
Fair value of plan assets at 31 December	**– 9,758**
unrecognised gains (+) / losses (–)	**– 3,082**
Net pension provisions at 31 December	**1.908**
Pension assets at 31 December	**534**
Provisions for pensions and similar obligations at 31 December	**2.442**

- **Net** pension exposure of approx EUR 5bn (as NPV of DBO EUR 14.7bn covered by EUR 9.8bn of pension assets)
- Thereof ~EUR 1,9bn on balance sheet and ~EUR 3,1bn unrecognized gains/losses, according to old IAS 19
- New IAS 19R will change accounting of these EUR 3.1bn to show EUR 5bn net exposure on balance sheet
- **Note**: overfunding on certain plans can not be netted with underfunding on other, therefore EUR 1.9bn net exposure splits into EUR 2.4bn pension provision and EUR 0.5bn pension assets

Implications of IAS19R for DPDHL

Balance sheet impact of IAS 19R implementation

IAS 19R implementation as of Jan 1, 2013



Expected effects in 2013

- **Balance sheet**: "unrecognized gains/losses" included within net pension provision; equity position to be reduced by a similar amount (per 31.12.2012: EUR 3.1bn)
- **Future impact**, i.e. decrease of pension provision and increase of equity (or vice versa), depends mainly on development of discount rates and return on plan asset. In Q1 assets returned broadly as expected, whereas discount rate for EUR-zone decreased slightly.
- **No cash impact** from accounting change to IAS19R

Sensitivity: EUR 1bn change in DBO if discount rates move by 50bp

Illustration: increase of rates by 0,5% would lead to EUR 1bn reduction of pension provision

%	Germany	UK	Other euro zone	Switzerland	USA
31.12.2012					
Discount rate	3.70	4.50	3.70	1.75	4.00
31.12.2013 Illustration					
Discount rate	4.20	5.00	4.20	2.25	4.50

Detailed expected impact in 2013

- Staff costs: No impact
- Finance costs: No impact
- Cash-Flow: No impact
- BS: Reduction of pension provision and equity increase by ~ EUR 1.000m
- Please note: A reduction of discount rates would have opposite effect of similar size

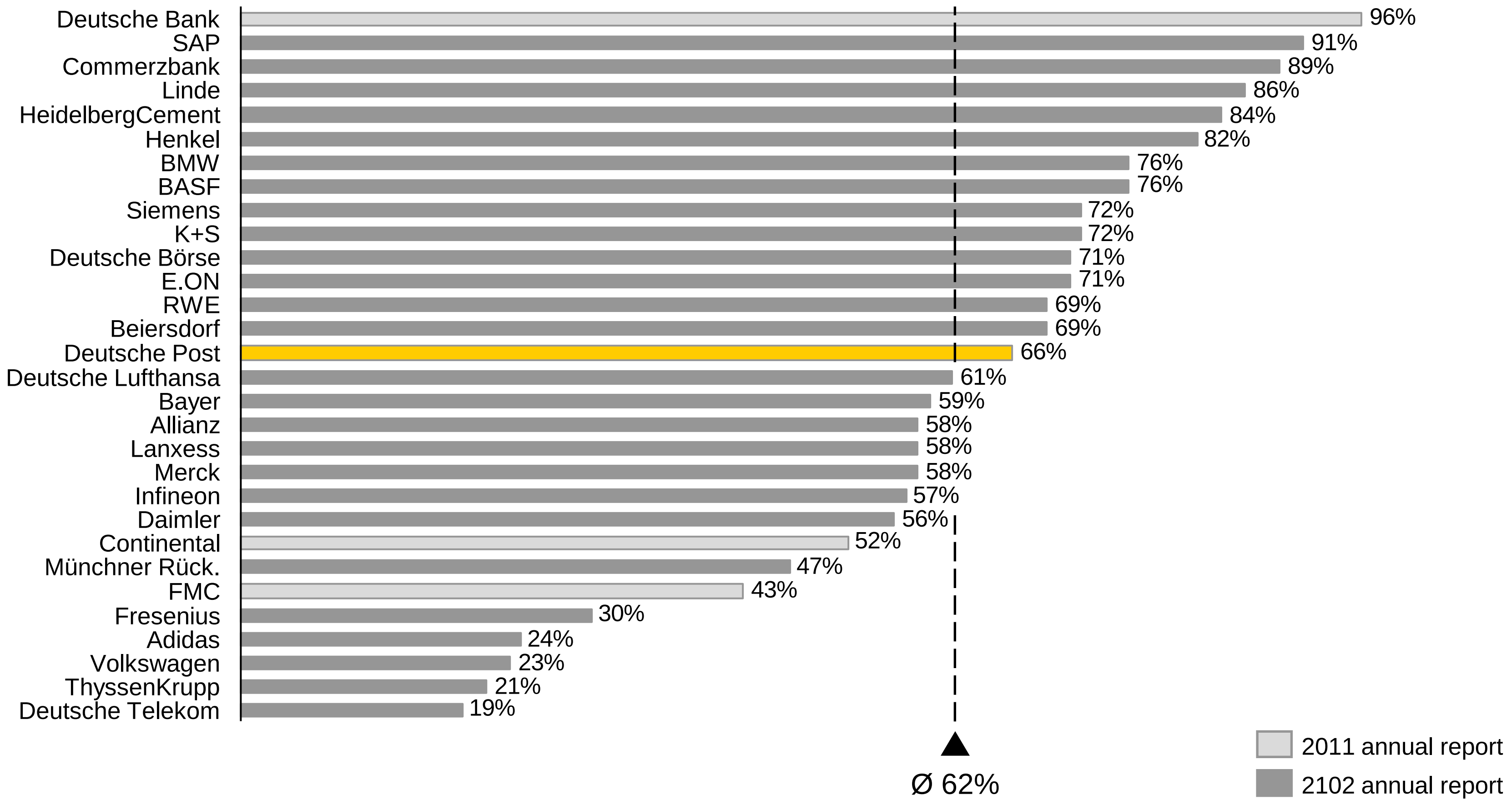
Detailed expected impact in 2014

- Staff costs: Decrease by ~ EUR 25m
- Finance costs: Decrease by ~ EUR 14m
- Cash-Flow: No impact
- BS: No impact as would have been fully reflected at 31.12.2013 and/or quarterly reporting in 2013
- Please note: A reduction of discount rates would have opposite effect of similar size

DPDHL Pension provision

DPDHL German funding ratio in comparison to DAX 30

After EUR 2bn funding DPDHL funding ratio with 66% slightly above average of DAX 30 (62%).



Source: TowersWatson “DAX Pensionswerke” 2012, March 2013

DPDHL Pension provision

DPDHL P&L expense from DBO

DPDHL AR 2012 Notes 41.4 (page 181)

€ m	Germany	UK	Other	Total
2012				
Current service cost, excluding employee contributions	88	32	36	**156**
interest cost	357	191	74	**622**
expected return on plan assets	– 79	– 215	– 81	– 375
recognised past service cost	0	0	1	**1**
amortisation of unrealised gains (–) / losses (+)	33	7	8	**48**
effects of curtailments	0	0	–1	–1
effects of settlements	0	0	1	**1**
effects of asset ceiling	0	0	–1	–1
Pension expense	**399**	**15**	**37**	**451**

€ m	Total
2012	
Current service cost	**156**
Amortisation of unrealised gains (–) / losses (+)	**48**
Interest cost	**622**
Expected return on plan assets	**– 375**
Other	**0**
Pension expense	**451**

- Pension expense reflects the additional pension entitlement earned by the employee over the year (current service cost), interest expense and an amortization amount

- P&L costs from DBO:

Staff costs (EBIT): EUR 204m

Finance costs: EUR 247m

- Pension expense fixed at beginning of year. No impact on P&L in case of e.g. changing discount rates or differences between expected and actual return on plan assets

Implications of IAS19R for DPDHL

P&L impact of IAS 19R implementation

IAS 19R implementation as of Jan 1, 2013

P&L effects, in EURm	2012 as reported	2012 restated for IAS19R	2013 expected under IAS19R
	2012	2012A	2013E
Staff cost	204	174	207
Finance cost	247	278	179
Pension expense	451	452	386

IAS19R impact

impact from lower discount rates and pension funding

Expected effects in 2013[1)]

- **Staff costs** slight increase by ~ EUR 3m compared to 2012 (old IAS). This is mainly based on lower discount rates[2)] and abolition of amortization of actuarial losses
- **Finance costs** ~ EUR 75m lower compared to 2012, reflecting the mix of
  - Lower income as return rate on plan assets is assumed to be equal to discount rate
  - Higher income on plan assets through ~ EUR 2bn funding
- Further decrease in finance costs from IAS 19R of EUR 15m from impact on **partial retirement ("Altersteilzeit")** within Other Provisions (see p. 63)

1) Compared to 2012 as reported
2) Discount rates per 31.12.12: Germany 3.70%, Great Britain 4,50%, Other Eurozone 3,70%, Switzerland 1.75%, USA 4.00%

DPDHL Pension provision

DPDHL cash costs from DBO

DPDHL AR 2012 Notes 41.9 (page 184)

€ m	Germany	UK	Other	Total
2012				
net pension provisions at 1 January	4.096	– 126	22	3.992
Pension expense	399	15	37	451
benefit payments	– 284	–1	–9	– 294
employer contributions	– 2,122	– 93	– 43	– 2,258
employee contributions	9	0	0	9
acquisitions / divestitures	2	0	0	2
transfers	5	0	1	6
Currency translation effects	0	–3	3	0
Net pension provisions at 31 December	**2.105**	**– 208**	**11**	**1.908**

€ m	Total
2012	
Net pension provisions at 1 January	**3.992**
Pension expense	**451**
Benefit payments	**– 294**
Employer contributions	**– 2,258**
Other	**17**
Net pension provisions at 31 December	**1.908**

- DBO programs generate two kinds of cash outflow

  1) Employer contribution into pension assets based on plan rules and/or legal requirements and

  2) Direct benefit payments to retirees
- 2012 pension cash costs (EUR 2.552bn) include EUR 1.986bn from pension funding
- DBO cash-out excl. 2012 funding: EUR -566m = -294 - 2,258 + 1,986

DPDHL Pension provision

Summary of P&L and cash effects of DPDHL pension plans

BKO

in EURm

EBIT	2012	Excl. one-off funding	Disclosed on
Pension expense DBO	204		p. 185 annual report Note 41.10
Defined contribution	238		p. 157 annual report
Civil servant pensions	542		p. 157 annual report
Total EBIT effect (in staff costs)	**984**		
Pension expense in finance cost	247		p. 185 annual report, difference between € 622m and € 375m
TOTAL P&L effect	**1,231**		

Cash out			
Benefit payments DBO	294		p. 184 annual report Note 41.9
Employer contributions DBO	2,258	272	p. 184 annual report Note 41.9
Defined contribution	238		p. 157 annual report
Civil servant pensions	542		p. 157 annual report
Total cash out	**3,332**	**1,346**	
Total cash out minus EBIT effect	**2,348**	**362**	301 change in provisions (cash flow statement) 61 change in pension assets & Other
Total cash out minus total P&L effect	**2,101**	**115**	

Outlook: Slow gradual decline in pension costs (P&L and cash) as entitlements decline

DPDHL Other Provisions

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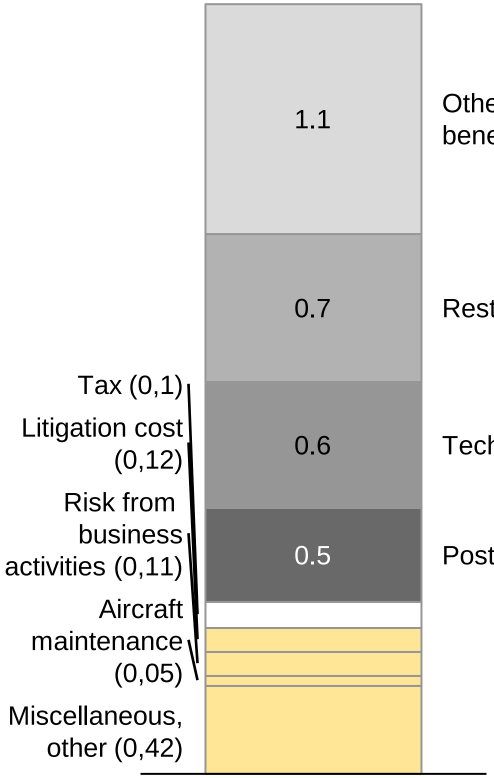
DPDHL: overview of other provisions[1)]

EUR 3.6 bn



See annual report 2012, Note 42, p 185 ff.

42 **Other provisions**

€m	Non-current		Current		Total	
	2011	2012	2011	2012	2011	2012
Other employee benefits[1]	792	856	274	253	1,066	1,109
Restructuring provisions	603	383	328	298	931	681
Technical reserves (insurance)	398	397	190	194	588	591
Postage stamps	0	0	450	450	450	450
Tax provisions[1]	0	0	384	127	384	127
Miscellaneous provisions[1]	381	336	508	341	889	677
	2,174	1,972	2,134	1,663	4,308	3,635

To come

- 2012 review and outlook by category
- Restructuring: Remaining tail US cash-outs mainly in 2013/14
- Other: No continuous significant cash uses expected over time as most are recurring in nature

1) in EUR bn, as per 31/12/2012;

DPDHL Other provisions

Summary

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AD

in EUR m	As of 31 Dec 2012	Chg. 12 vs 11	Expected Trend of Provision	Explanation
Other employee benefits	1.109	+43		• Gradual decline in provision as severance payments and partial retirement should have higher utilization than new additions going forward
Restructuring provisions	681	-250		• Remaining tail US cash-outs mainly in 2013/14 • FCF benefit (vs last years) as cash outflows from historic provisions decline
Technical reserves (insurance)	591	3		• Directly related to operational business development • Hence provision should see gradual slight increase as business volumes improve, resulting in higher EBIT charge than ongoing utilization
Postage stamps	450	0		• Covers obligation from postage stamps sold but still unused by customers • Lower letter volumes should lead to small steps of declines over time, i.e. in a that year slightly lower EBIT charge than cash out through utilization
Tax provisions	127	-257		• Larger VAT case settled, leading to strong decline in 2012 • No further major changes of tax provision from current low level expected
Miscellaneous provisions	677	-212		• Cover items such as litigation, risks from business activities, aircraft maintenance and various smaller positions • FCF effects going forward expected to be flat as no specific trends
Total	**3.635**	**-673**		• **Total provisions still expected to come down a bit further, mainly from utilization of restructuring provisions** • **However, expected cash-outs declining from previous year levels**

DPDHL Capital Markets Tutorial Workshop

Agenda

1	Major principles of provision & pension accounting	A. Muzzu
2	DPDHL Pension provision	B. Köster
3	DPDHL Other provisions	A. Duhr
4	**Summary and Q&A**	**L. Rosen / All**

Recap: most relevant Cash Flow effects from Provisions

Pensions (see summary p. 30)

- DBO: 2012 cash costs beyond EBIT of EUR -362m to fall below EUR 300m in 2013 thanks to additional returns from EUR 2bn pension funding
- Slow decline in DBO cash-outs thereafter as historic entitlements decline
- DCO and civil servants: all cash-outs fully included in annual staff costs, no cash costs beyond those already within EBIT

Other provisions (see summary table p. 69)

- Restructuring: remaining tail US cash-outs mainly in 2013/14
- Other provisions mainly of recurring nature, resp. related to business volume; i.e. no major continuous net use of cash to be expected

Declining cash-outs for provision utilization to support DPDHL FCF generation

Q: Why do they have this high and sometimes volatile cash outflow through the "change in provision" line in the Cash Flow Statement?

- Pension underfunding requires to pay part of our historic pension commitments (benefit payments) out of Operating Cash Flow
- Cash outflows from utilization of Other Provisions (built up through EBIT in the past!) is currently still exceeding the net additions newly expensed in EBIT

Q: Do they inflate and steer their EBIT by simply releasing provisions at will?

- Reversals are part of the normal lifecycle of a provision, given the inherently uncertain nature of future payouts
- EBIT is affected by both the amount of additions as well as reversals and the proportion of the two has not been unusually high or volatile in the recent past, also in DAX30 comparison

Q: How should one evaluate the EUR 5bn unfunded pension position? What will be the impact of the new IAS19R implementation?

- DPDHL funding ratio is even slightly better than DAX30 average – besides the burden on operating cash flow (see above) and short-term volatility from external factors, this pension underfunding does not carry any particular risk for DPDHL shareholders
- IAS19R will have a one-off impact on equity but unrecognized losses were already taken into account in our credit ratings and hence reflected in our finance strategy. This is a pure accounting change, with no impact on our business performance, financial position, cash flow generation or finance strategy

Multiple levers to drive FCF improvement over the next years

Major drivers	Expected Trend from 2013 onwards
EBIT	In line with 2015 guidance: Group EBIT up to EUR 3.35–3.55bn
Changes in provisions	**Utilization of restructuring provisions tailing off, pension payments declining slowly**
Changes in W/C	Increasing as business grows but strong focus on working capital management
Income taxes paid	To increase driven by EBIT growth
Net Capex	Normalization from current expected gross levels of EUR ~1.8bn in 2013
Net M&A	No need or ambition for major M&A
Free Cash Flow	EBIT increase to drive strong FCF performance

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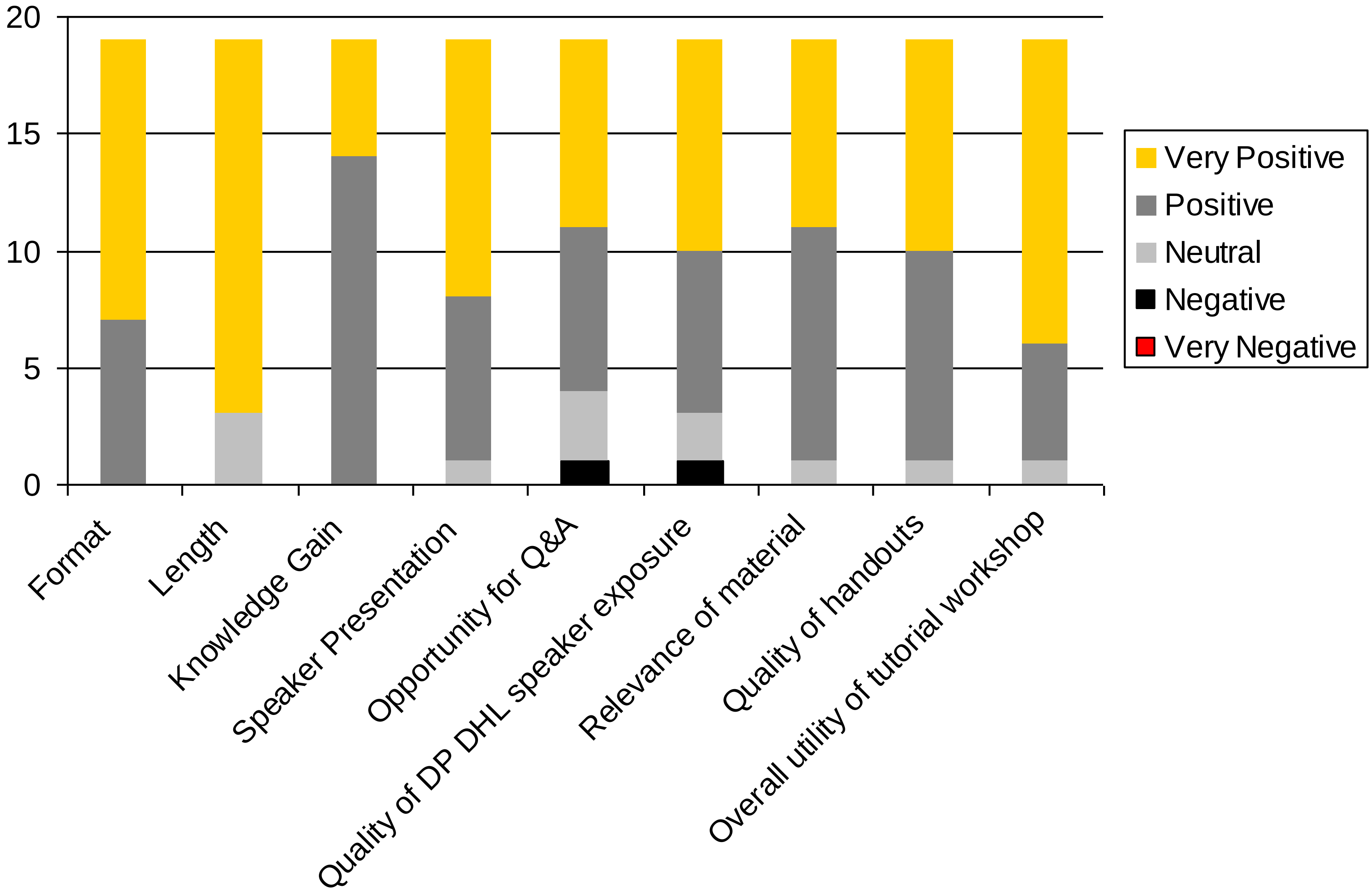
Positive Investor Feedback from Workshop



Investor Feedback Quotes

Overall very positive feedback on the pension and provisions Capital Markets Tutorial Workshop

"The workshop was especially encouraging in terms of cash conversion."

"Management commentary was clearly supportive for our expectations of substantially improving earnings quality as EBIT and cash conversion increases, boosting FCF"

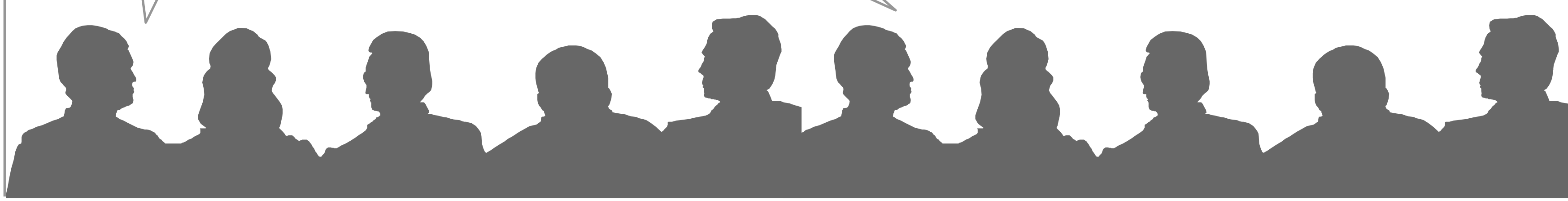
„I thought yesterday's session was really useful and helpful...not many companies make the effort to hold these sessions...a really interesting deep dive..“

"I was missing a break-out session afterwards in order to ask more detailed questions."

"Would have been good to get a more divisional feel for provision impact, mainly in the miscellaneous others category."

"Very useful and on a relevant topic for DP DHL and the market."

"I don't anticipate any major changes to estimates, but the day certainly clarified a number of points."



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