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C.01 INCOME STATEMENT

1 January to 31 December

€m	Note	2011	2012
Revenue	10	52,829	55,512
Other operating income	11	2,050	2,168
Total operating income		54,879	57,680
Materials expense	12	−30,544	−31,863
Staff costs	13	−16,730	−17,770
Depreciation, amortisation and impairment losses	14	−1,274	−1,339
Other operating expenses	15	−3,895	−4,043
Total operating expenses		−52,443	−55,015
Profit from operating activities (EBIT)		**2,436**	**2,665**
Net income from associates	16	60	2
Other financial income		590	657
Other finance costs		−1,391	−1,049
Foreign currency result		−36	−37
Net other finance costs	17	−837	−429
Net finance costs		**−777**	**−427**
Profit before income taxes		**1,659**	**2,238**
Income taxes	18	−393	−458
Consolidated net profit for the period	19	**1,266**	**1,780**
attributable to Deutsche Post AG shareholders		1,163	1,658
attributable to non-controlling interests	20	103	122
Basic earnings per share (€)	21	**0.96**	**1.37**
Diluted earnings per share (€)	21	**0.96**	**1.32**

C.02 STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€m	Note	2011	2012
Consolidated net profit for the period		**1,266**	**1,780**
Currency translation reserve			
Changes from unrealised gains and losses		193	7
Changes from realised gains and losses		–26	3
Other changes in retained earnings			
Changes from unrealised gains and losses		1	2
Changes from realised gains and losses		0	0
IAS 39 hedging reserve			
Changes from unrealised gains and losses		–5	–23
Changes from realised gains and losses		2	59
IAS 39 revaluation reserve			
Changes from unrealised gains and losses		–7	–12
Changes from realised gains and losses		0	0
IFRS 3 revaluation reserve			
Changes from unrealised gains and losses		–1	–2
Changes from realised gains and losses		0	0
Income taxes relating to components of other comprehensive income	18	–1	–7
Share of other comprehensive income of associates (after tax)		10	–37
Other comprehensive income (after tax)		**166**	**–10**
Total comprehensive income		**1,432**	**1,770**
attributable to Deutsche Post AG shareholders		1,331	1,650
attributable to non-controlling interests		101	120

C.03 BALANCE SHEET

€m	Note	31 Dec. 2011	31 Dec. 2012
ASSETS			
Intangible assets	23	12,196	12,151
Property, plant and equipment	24	6,493	6,663
Investment property	25	40	43
Investments in associates	26	44	46
Non-current financial assets	27	729	1,039
Other non-current assets	28	570	633
Deferred tax assets	29	1,153	1,257
Non-current assets		**21,225**	**21,832**
Inventories	30	273	322
Income tax assets	31	239	127
Receivables and other current assets	32	9,089	9,112
Current financial assets	33	2,498	252
Cash and cash equivalents	34	3,123	2,400
Assets held for sale	35	1,961	76
Current assets		**17,183**	**12,289**
Total ASSETS		**38,408**	**34,121**
EQUITY AND LIABILITIES			
Issued capital	36	1,209	1,209
Other reserves	37	1,714	1,786
Retained earnings	38	8,086	8,956
Equity attributable to Deutsche Post AG shareholders	39	11,009	11,951
Non-controlling interests	40	190	213
Equity		**11,199**	**12,164**
Provisions for pensions and similar obligations	41	4,445	2,442
Deferred tax liabilities	29	255	229
Other non-current provisions	42	2,174	1,972
Non-current provisions		6,874	4,643
Non-current financial liabilities	43	1,366	4,413
Other non-current liabilities	44	347	276
Non-current liabilities		1,713	4,689
Non-current provisions and liabilities		**8,587**	**9,332**
Current provisions	42	2,134	1,663
Current financial liabilities	43	5,644	403
Trade payables	45	6,168	5,991
Income tax liabilities	31	570	534
Other current liabilities	44	4,106	4,004
Liabilities associated with assets held for sale	35	0	30
Current liabilities		16,488	10,962
Current provisions and liabilities		**18,622**	**12,625**
Total EQUITY AND LIABILITIES		**38,408**	**34,121**

C.04 CASH FLOW STATEMENT

1 January to 31 December

€m	Note	2011	2012
Consolidated net profit for the period attributable to Deutsche Post AG shareholders		1,163	1,658
Consolidated net profit for the period attributable to non-controlling interests		103	122
Income taxes		393	458
Net other finance costs		837	429
Net income from associates		–60	–2
Profit from operating activities (EBIT)		2,436	2,665
Depreciation, amortisation and impairment losses		1,274	1,339
Net income from disposal of non-current assets		–54	–74
Non-cash income and expense		–7	–97
Change in provisions		–897	–3,034
Change in other non-current assets and liabilities		–63	–53
Income taxes paid		–455	–527
Net cash from operating activities before changes in working capital		**2,234**	**219**
Changes in working capital			
Inventories		–37	–51
Receivables and other current assets		–406	–221
Liabilities and other items		580	–150
Net cash from/used in operating activities	46.1	**2,371**	**–203**
Subsidiaries and other business units		58	39
Property, plant and equipment and intangible assets		211	225
Other non-current financial assets		16	35
Proceeds from disposal of non-current assets		285	299
Subsidiaries and other business units		–84	–57
Property, plant and equipment and intangible assets		–1,716	–1,639
Other non-current financial assets		–80	–336
Cash paid to acquire non-current assets		–1,880	–2,032
Interest received		72	46
Dividend received		0	0
Current financial assets		394	–10
Net cash used in investing activities	46.2	**–1,129**	**–1,697**
Proceeds from issuance of non-current financial liabilities		18	3,176
Repayments of non-current financial liabilities		–338	–773
Change in current financial liabilities		–97	–50
Other financing activities		–60	31
Proceeds from transactions with non-controlling interests and venturers		0	49
Cash paid for transactions with non-controlling interests		–1	–62
Dividend paid to Deutsche Post AG shareholders		–786	–846
Dividend paid to non-controlling interest holders		–99	–78
Purchase of treasury shares		–21	–26
Proceeds from issuing shares or other equity instruments		0	74
Interest paid		–163	–296
Net cash used in/from financing activities	46.3	**–1,547**	**1,199**
Net change in cash and cash equivalents		–305	–701
Effect of changes in exchange rates on cash and cash equivalents		13	–15
Changes in cash and cash equivalents associated with assets held for sale		0	–7
Changes in cash and cash equivalents due to changes in consolidated group		0	0
Cash and cash equivalents at beginning of reporting period		3,415	3,123
Cash and cash equivalents at end of reporting period	46.4	**3,123**	**2,400**

C.05 STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

€m	Issued capital	Other reserves: Capital reserves	Other reserves: IAS 39 revaluation reserve[1]	Other reserves: IAS 39 hedging reserve[1]	Other reserves: IFRS 3 revaluation reserve	Other reserves: Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	36	37	37	37	37	37	38	39	40	
Balance at 1 January 2011	1,209	2,158	86	–33	6	–682	7,767	10,511	185	10,696
Capital transactions with owner										
Dividend	0	0	0	0	0	0	–786	–786	–99	–885
Transactions with non-controlling interests	0	0	0	0	0	0	–59	–59	0	–59
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	3	3
Purchase of treasury shares	–2	0	0	0	0	0	–20	–22	0	–22
Share Matching Scheme (issuance)	0	33	0	0	0	0	0	33	0	33
Share Matching Scheme (exercise)	2	–21	0	0	0	0	20	1	0	1
								–833	–96	–929
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	1,163	1,163	103	1,266
Currency translation differences	0	0	0	0	0	165	0	165	–2	163
Other changes	0	0	4	–1	–1	0	1	3	0	3
								1,331	101	1,432
Balance at 31 December 2011	**1,209**	**2,170**	**90**	**–34**	**5**	**–517**	**8,086**	**11,009**	**190**	**11,199**
Balance at 1 January 2012	1,209	2,170	90	–34	5	–517	8,086	11,009	190	11,199
Capital transactions with owner										
Dividend	0	0	0	0	0	0	–846	–846	–79	–925
Transactions with non-controlling interests	0	0	0	0	0	–2	58	56	–22	34
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	4	4
Issue of shares or other equity instruments	0	74	0	0	0	0	0	74	0	74
Purchase of treasury shares	–2	0	0	0	0	0	–24	–26	0	–26
Share Matching Scheme (issuance)	0	34	0	0	0	0	0	34	0	34
Share Matching Scheme (exercise)	2	–24	0	0	0	0	22	0	0	0
								–708	–97	–805
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	1,658	1,658	122	1,780
Currency translation differences	0	0	0	0	0	56	0	56	–2	54
Other changes	0	0	–91	27	–2	0	2	–64	0	–64
								1,650	120	1,770
Balance at 31 December 2012	**1,209**	**2,254**	**–1**	**–7**	**3**	**–463**	**8,956**	**11,951**	**213**	**12,164**

[1] The IAS 39 hedging reserve and IAS 39 revaluation reserve previously presented together in the IAS 39 reserves column are now shown separately to increase transparency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE POST AG

BASIS OF PREPARATION

1 Basis of accounting

As a listed company, Deutsche Post AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the provisions of commercial law to be additionally applied in accordance with section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code). The financial statements represent an annual financial report within the meaning of the *Transparenzrichtlinie-Umsetzungsgesetz* (TUG – Transparency Directive Implementing Act) (section 37v of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act)) dated 5 January 2007.

The requirements of the Standards applied have been satisfied in full, and the consolidated financial statements therefore provide a true and fair view of the Group's net assets, financial position and results of operations.

The consolidated financial statements consist of the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the Notes. In order to improve the clarity of presentation, various items in the balance sheet and in the income statement have been combined. These items are disclosed and explained separately in the Notes. The income statement has been classified in accordance with the nature of expense method.

The accounting policies, as well as the explanations and disclosures in the Notes to the IFRS consolidated financial statements for financial year 2012, are generally based on the same accounting policies used in the 2011 consolidated financial statements. Exceptions to this are the changes in international financial reporting under the IFRSs described in Note 4 that have been required to be applied by the Group since 1 January 2012. The accounting policies are explained in Note 6.

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.

These consolidated financial statements were authorised for issue by a resolution of the Board of Management of Deutsche Post AG dated 18 February 2013.

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

2 Consolidated group

In addition to Deutsche Post AG, the consolidated financial statements for the period ended 31 December 2012 include all German and foreign companies in which Deutsche Post AG directly or indirectly holds a majority of voting rights, or whose activities it can control in some other way. The companies are consolidated from the date on which the Group is able to exercise control.

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

Consolidated group

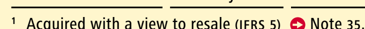
	2011	2012
Number of fully consolidated companies (subsidiaries)		
German	76	85
Foreign	754	730
Number of proportionately consolidated joint ventures		
German	1	1
Foreign	13	3
Number of companies accounted for using the equity method (associates)[1]		
German	31	0
Foreign	28	8

[1] The interest in Deutsche Postbank AG had been measured in accordance with IFRS 5 since March 2011 and was disposed of in February 2012.

The decrease in the number of equity-accounted companies is largely attributable to the derecognition of Deutsche Postbank AG and its subsidiaries. The complete list of the Group's shareholdings in accordance with section 313 (2) nos. 1 to 4 and section 313 (3) of the HGB can be accessed on the website, www.dp-dhl.com/en/investors.html.

Acquisitions in 2012

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

[1] Acquired with a view to resale (IFRS 5) Note 35.

[2] Step acquisition.

INSIGNIFICANT ACQUISITIONS IN 2012

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

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

2SFG is active in the field of airline catering.

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

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

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

Insignificant acquisitions, 2012

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

The calculation of goodwill is presented in the following table:

Goodwill, 2012

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

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

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

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

Variable purchase prices, which are presented in the following table, were agreed for the acquisitions in financial year 2012:

Contingent consideration, 2012

Basis	Period for financial years from/to	Results range from	Fair value of payment obligation
Revenue and sales margin	2012 to 2014	€0 to €9 million	€4 million

The transaction costs for the insignificant acquisitions amounted to less than €1 million.

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

Acquisitions in 2011

Name	Country	Segment	Interest in %	Date of acquisition
Adcloud GmbH (Adcloud), Cologne	Germany	MAIL	100	1 April 2011
Eurodifarm srl. (Eurodifarm), Lodi	Italy	SUPPLY CHAIN	100	11 May 2011
Standard Forwarding LLC (Standard Forwarding), East Moline	USA	GLOBAL FORWARDING, FREIGHT	100	1 June 2011
Tag EquityCo Limited (Tag Equity), Grand Cayman	Cayman Islands	SUPPLY CHAIN	100	11 July 2011
LifeConEx LLC (LifeConEx), Plantation	USA	GLOBAL FORWARDING, FREIGHT	100	29 July 2011
Post Logistics Australasia, Melbourne (Post Logistics Australasia)	Australia	SUPPLY CHAIN	Asset deal	1 October 2011

ACQUISITION OF TAG EQUITY IN 2011

In mid-July 2011, Deutsche Post DHL acquired the company Tag EquityCo Limited, Cayman Islands, together with its subsidiaries. Tag Equity is an international provider of marketing execution and production services. The company was assigned to the Williams Lea business unit within the SUPPLY CHAIN segment. Final purchase price allocation is presented in the following tables.

Final purchase price allocation for Tag Equity, 2011

€m	Carrying amount	Adjustments	Fair value
ASSETS			
Non-current assets	13	–	**13**
Customer relationships	–	47	**47**
Brand name	–	4	**4**
Software	–	11	**11**
Current assets	54	–	**54**
Cash and cash equivalents	5	–	**5**
	72	**62**	**134**
EQUITY AND LIABILITIES			
Non-current liabilities and provisions	–	–	**–**
Deferred tax liabilities	–	16	**16**
Current liabilities and provisions	102	–	**102**
	102	**16**	**118**
Net assets			**16**

The customer relationships are being amortised over 20 years using the straight-line method, whilst the software is being amortised over five years. The brand name has an indefinite useful life.

Goodwill for Tag Equity, 2011

€m	Fair value
Cost	91
Less net assets	16
Goodwill	**75**

The transaction costs for this acquisition amounted to €6 million. In addition, shareholder loans of €33 million were repaid.

In 2011, the companies contributed €76 million to consolidated revenue and €11 million to consolidated EBIT since the date of initial consolidation. Inclusion of the companies as at 1 January 2011 would have affected consolidated revenue by adding €67 million and consolidated EBIT by adding €8 million.

INSIGNIFICANT ACQUISITIONS IN 2011

In the period up to 31 December 2011, Deutsche Post DHL acquired further subsidiaries that did not materially affect the Group's net assets, financial position and results of operations, either individually or in the aggregate.

Adcloud is a specialised provider of internet advertising space marketing and placement services.

Eurodifarm is a specialist in the temperature-controlled distribution of pharmaceutical and diagnostic products.

Standard Forwarding, a US company in the forwarding business, was acquired in order to expand capacity in the Freight business unit.

Deutsche Post DHL acquired all of the shares of its LifeConEx LLC, USA, joint venture, previously held by LCAG USA Inc., USA. This company provides end-to-end cold chain logistics services for the life sciences industry. The change in the method of consolidation resulted in a gain of €1.3 million, which is reported in other operating income.

Under the terms of an asset deal, DHL Supply Chain Pty. Limited, Australia, has acquired from Post Logistics Australasia assets and liabilities relating to its road freight transport and warehousing and storage services.

Insignificant acquisitions, 2011

€m 1 January to 31 December	Carrying amount	Adjustments	Fair value
ASSETS			
Non-current assets	17	–	**17**
Current assets	26	–	**26**
Cash and cash equivalents	9	–	**9**
	52	**–**	**52**
EQUITY AND LIABILITIES			
Non-current liabilities and provisions	6	–	**6**
Current liabilities and provisions	42	–	**42**
	48	**–**	**48**
Net assets			**4**

Goodwill, 2011

€m	Fair value
Cash purchase price	63
Fair value of the existing equity interest[1]	1
Total cost	**64**
Less net assets	4
Goodwill	**60**

[1] Gain from the change in the method of consolidation is recognised under other operating income.

The transaction costs for the insignificant acquisitions in 2011 amounted to €2.6 million.

Variable purchase prices, which are given in the table below, were agreed for the acquisitions:

Contingent consideration, 2011

Basis	Period for financial years from/to	Results range from	Fair value of payment obligation
Revenue and gross income[1]	2011 to 2013	€0 to €2 million	€2 million
EBITDA	2011 and 2012	unlimited	€1 million
Revenue and EBITDA	2011 to 2013	€0 to €3 million	€2 million

[1] Both the range and the fair value changed due to amended agreements and earnings forecasts.

In the year 2011, the insignificant acquisitions made in 2011 contributed €68 million to consolidated revenue and €–3 million to consolidated EBIT since the date of initial consolidation. Inclusion of the companies as at 1 January 2011 would not have materially affected consolidated revenue and consolidated EBIT.

€98 million was expended on purchasing subsidiaries in the period up to 31 December 2011, plus a further €8 million for subsidiaries already acquired in previous years. In addition, Deutsche Post DHL received €8 million in purchase price adjustments relating to companies acquired in previous years. The cash purchase prices of the acquired companies were paid by transferring cash funds.

Disposal and deconsolidation effects in 2012

EXPRESS SEGMENT

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

GLOBAL FORWARDING, FREIGHT SEGMENT

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

Disposal and deconsolidation effects, 2012

€m

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

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

Disposal gains are shown under other operating income; disposal losses are reported under other operating expenses.

Disposal and deconsolidation effects in 2011

SUPPLY CHAIN SEGMENT

In April 2011, Deutsche Post DHL sold the freight forwarding company Exel Transportation Services Inc., USA, including Exel Trucking Inc., USA, and Exel Transportation Services Inc. (Canadian Branch), Canada, to the US-based Hub Group.

EXPRESS SEGMENT

At the end of June 2011, DHL Express Canada sold its domestic Canadian express business to TransForce, a transport company. The two companies entered into a ten-year strategic alliance. The domestic express business is to be handled by TransForce's Loomis Express subsidiary. DHL Express Canada will continue to provide international express services.

The sale of four Chinese companies, the sale of assets of the Australian company Western Australia and the sale of Northern Kope Parcel Express, Australia, are reported in the Miscellaneous column.

GLOBAL FORWARDING, FREIGHT SEGMENT

Part of the transport and warehouse services business of DHL Freight Netherlands B.V., the Netherlands, was sold in the third quarter of 2011. The effects are presented in the Miscellaneous column.

Disposal and deconsolidation effects in 2011

Disposal and deconsolidation effects, 2011

€m 1 January to 31 December	Exel Transportation Services	DHL Express Canada	Miscellaneous	Total
Non-current assets	0	11	2	**13**
Current assets	0	2	0	**2**
Assets held for sale[1]	113	0	18	**131**
Cash and cash equivalents	0	0	10	**10**
Assets	**113**	**13**	**30**	**156**
Non-current liabilities and provisions	0	0	0	**0**
Current liabilities and provisions	0	5	11	**16**
Liabilities associated with assets held for sale[1]	62	0	11	**73**
Equity and liabilities	**62**	**5**	**22**	**89**
Net assets	**51**	**8**	**8**	**67**
Total consideration received	55	10	2	**67**
Income from the currency translation reserve	24	1	1	**26**
Non-controlling interests	0	0	3	**3**
Deconsolidation gain (+)/loss (–)	**28**	**3**	**–2**	**29**

[1] Data before deconsolidation.

Joint ventures

The following table provides information about the balance sheet and income statement items attributable to the significant joint ventures included in the consolidated financial statements:

As at 31 December

€m	2011[1]	2012[1]
BALANCE SHEET		
Intangible assets	100	0
Property, plant and equipment	24	14
Receivables and other assets	73	68
Cash and cash equivalents	17	9
Trade payables, other liabilities	66	40
Provisions	17	32
Financial liabilities	63	2
INCOME STATEMENT		
Revenue[2]	271	120
Profit from operating activities (EBIT)	22	9

[1] Proportionate single-entity financial statement data.
[2] Revenue excluding intra-group revenue.

The consolidated joint ventures relate primarily to AeroLogic GmbH, Germany, Bahwan Exel LLC, Oman, Danzas DV LCC, Russia, and EV Logistics, Canada.

Additional information on the size of the shareholdings can be found in the list of shareholdings, which can be accessed on the website, www.dp-dhl.com/en/investors.html.

3 Significant transactions

Sale of Deutsche Postbank shares

As part of the sale of Deutsche Postbank shares, a further 27.4% interest in Deutsche Postbank AG was transferred to Deutsche Bank AG at the end of February 2012, when a mandatory exchangeable bond fell due.

In addition, Deutsche Post AG exercised its put option for the remaining 12.1% of the shares it held in Postbank. Both transactions are part of a three-phase sale of shares agreed between the two companies in January 2009. Now that the second and third stages of the transaction have been completed, Deutsche Post AG no longer holds any shares in Deutsche Postbank AG.

The financial instruments relating to the Postbank sale were measured for the last time in February 2012; no such measurement will be performed again in the future.

The effects of the Postbank sale for the period up to 31 December 2012 are as follows:

Effects of the disposal of Deutsche Postbank AG

€m	February 2012
Mandatory exchangeable bond	2,946
Cash collateral	1,305
Forward	–1,265
Put option	–566
Total	**2,420**
Less carrying amount of the investment	1,916
Total	**504**
Less expenses from the currency translation reserve	44
Plus income from the IAS 39 reserves	81
Disposal gain	**541**
Other effects of the Postbank sale	–355
Total effect	186

The disposal of the Postbank shares thus resulted in a total effect of €186 million, which is reported in net finance costs. The following table shows the other effects of the Postbank sale on the income statement:

Other effects of the Postbank sale

€m	2011	2012
Interest expense on exchangeable bond	–130	–20
Interest expense on cash collateral	–50	–8
Net loss on subsequent measurement of the forward	–160	–228
Net loss on measurements of the option	–71	–99
Impairment loss on measurement of shares before reclassification under IFRS 5	–63	0
Reversal of impairment loss (+) on shares under IFRS 5	115	0
Total	**–359**	**–355**

The prior-year impairment loss on measurement of shares before reclassification under IFRS 5 contained the balance of impairment losses of €136 million and impairment loss reversals of €251 million.

Demand for repayment of state aid

In order to implement the European Commission's state aid ruling of 25 January 2012, the German federal government on 29 May 2012 called upon Deutsche Post AG to make a payment of €298 million, including interest. In agreement with the government, Deutsche Post AG paid this amount into a trust account on 1 June 2012 and appealed the recovery order. The European Commission had instituted state aid proceedings in 2007 and in its decision had come to the conclusion that the pension relief on civil servants' pensions granted by the *Bundesnetzagentur* (German federal network agency) during the price approval process had led to illegal state aid being granted to Deutsche Post AG. Deutsche Post AG is of the opinion that the decision cannot withstand legal review and appealed it to the European Court of Justice in Luxembourg on 4 April 2012. The Federal Republic of Germany also filed an appeal.

The European Commission has thus far not expressed its final acceptance of the calculation of the state aid to be repaid. It cannot be ruled out that Deutsche Post AG will be required to make a higher payment. In its state aid ruling of 25 January 2012, the European Commission did not make a definitive assessment of the amount of the purported unlawful state aid. Such amount has to be calculated by the Federal Republic of Germany. The payment made was reported solely in the balance sheet under non-current assets; the earnings position remained unaffected. Detailed information regarding the state aid proceedings can be found in Note 50.

Additional VAT payment

The German tax authorities announced in June 2012 that they would be modifying Deutsche Post AG's tax assessments in the third quarter of 2012. The decision resulted from an extensive review of complex issues pertaining to tax law and relates to the period from 1998 to 30 June 2010. The amended law on VAT for postal services took effect on 1 July 2010. The additional VAT payment amounted to €482 million after the deduction of outstanding tax refund claims, and was made by the end of the third quarter. A large part of the additional payment amount relates to tax matters for which the Group had in some cases already recognised provisions. The impact on EBIT for the financial year amounted to €181 million, while the interest expense was €115 million.

Issuance of bonds and convertible bond

Deutsche Post Finance B.V. placed two new bonds with an aggregate principal amount of €1.25 billion on the market in June 2012 under the Debt Issuance Programme (DIP). The bonds are fully guaranteed by Deutsche Post AG. They mature on 27 June 2017 and 27 June 2022, respectively; Note 43.

At the beginning of December 2012, Deutsche Post AG issued bonds with a principal amount of €2 billion to fund pension obligations. In more detail, these comprise two bonds with principal amounts of €300 million and €700 million, respectively, and a convertible bond on Deutsche Post AG shares with a principal amount of €1 billion. The convertible bond has conversion rights that can be exercised between 16 January 2013 and 21 November 2019, and a call option giving Deutsche Post AG the right to redeem the bond early for the principal amount plus accrued interest if Deutsche Post AG's share price more than temporarily exceeds 130% of the conversion price applicable at that time. The option can be exercised between 6 December 2017 and 16 November 2019. The terms of the contract for the convertible bond mean that it has to be split into a debt component and an equity component. The equity instrument in the amount of €74 million is reported under the capital reserves, whilst the debt component of €920 million is reported under financial liabilities (bonds). Transaction costs of €0.5 and €5.8 million are included in the aforementioned amounts. Further disclosures on the convertible bond are contained in Note 43.

4 New developments in international accounting under IFRSS

The following Standards, changes to Standards and Interpretations are required to be applied on or after 1 January 2012:

	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IFRS 7 (Financial Instruments: Disclosures – Transfers of Financial Assets)	1 July 2011	Additional disclosure requirements for transfers of financial instruments designed to provide an improved understanding of the effect of the risks remaining with the entity. The amendment has no significant effect on the consolidated financial statements.

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

The following Standards, changes to Standards and Interpretations have already been endorsed by the European Union. However, they will only be required to be applied in the future.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IAS 1 (Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income) (16 June 2011)	1 July 2012	In future, entities must classify items presented in other comprehensive income by whether or not they will be reclassified to profit or loss in subsequent periods (recycling). The presentation will be adjusted. There are no other effects.
Amendments to IAS 19 (Employee Benefits) (16 June 2011)	1 January 2013	This will significantly affect the recognition and measurement of the cost of defined benefit pension plans and termination benefits. The corresponding effects on the balance sheet as well as some changes to the disclosure requirements will also have to be taken into account. With regard to defined benefit plans, the future recognition of actuarial gains and losses (remeasurements) in other comprehensive income for the period, and the future use of a uniform discount rate for provisions for pensions and similar obligations, are of particular significance. The future more detailed requirements on the recognition of administration costs are also significant. There will be a changed categorization with regard to termination benefits. Due to the application of IAS 19R, staff costs for financial year 2012 will remain almost constant. In financial year 2013, staff costs will increase by approximately €10 million compared with the adjusted figures for 2012. The adjustment will increase net finance costs for 2012 by approximately €29 million, whereas net financial income/net finance costs for 2013 will improve by approximately €121 million compared with the adjusted figures for financial year 2012. Provisions for defined benefit plans and termination benefits will increase by a total of approximately €3.1 billion as at 31 December 2012, whilst other comprehensive income will be reduced by approximately €3.1 billion. The changes will be applied with effect from the beginning of 2013.
Amendments to IAS 12 (Deferred Tax: Recovery of Underlying Assets) (20 December 2010)	1 January 2013[1]	The amendment refers to the introduction of a mandatory rebuttable presumption in respect of the treatment of temporary taxable differences for investment property for which the fair value model is applied in accordance with IAS 40. The new rule is important for countries where the tax rules governing the use and the sale of such assets differ. As part of this amendment, SIC-21 (Income Taxes – Recovery of Revalued Non-Depreciable Assets) was also incorporated into IAS 12. The change has no effect on the consolidated financial statements.
Amendments to IAS 32 (Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities) (16 December 2011)	1 January 2014	These provide clarification on the conditions for offsetting financial assets and liabilities in the balance sheet. A right of set-off must be legally enforceable for all counterparties, both in the normal course of business and also in the event of insolvency, and it must exist at the balance sheet date. The Standard specifies which gross settlement systems can be regarded as net settlement for this purpose. The amendment will not have any significant effect on the presentation of the financial statements. In individual cases, additional disclosures may be required.
Amendments to IFRS 7 (Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities) (16 December 2011)	1 January 2013	The amendments to IAS 32 relating to the presentation of the offsetting of financial assets and liabilities and the associated additions to IFRS 7 require comprehensive disclosure of the rights of set-off, especially for those rights that do not result in offsetting under IFRSs. The change will have no significant influence on the financial statements.
IFRS 10 (Consolidated Financial Statements) (12 May 2011)	1 January 2014[1]	This introduces a uniform definition of control for all entities that are to be included in the consolidated financial statements. The standard also contains comprehensive requirements on determining a relationship where control exists. IFRS 10 supersedes IAS 27 (Consolidated and Separate Financial Statements) as well as SIC-12 (Consolidation – Special Purpose Entities). Special purpose entities previously consolidated in accordance with SIC-12 are now subject to IFRS 10. Preliminary assessment findings indicate no significant effects for the Group.
IFRS 11 (Joint Arrangements) (12 May 2011)	1 January 2014[1]	IFRS 11 supersedes IAS 31 (Interests in Joint Ventures). The option to proportionately consolidate joint ventures will be abolished. However, IFRS 11 will not require all entities that are currently subject to proportionate consolidation to be accounted for using the equity method in the future. IFRS 11 provides a uniform definition of the term "joint arrangements" and distinguishes between joint operations and joint ventures. The interest in a joint operation is recognised on the basis of direct rights and obligations, whereas the interest in the profit or loss of a joint venture must be accounted for using the equity method. The mandatory application of the equity method to joint ventures will in future follow the requirements of the revised IAS 28 (Investments in Associates and Joint Ventures). Preliminary assessment findings indicate no significant effects for the Group.
IFRS 12 (Disclosures of Interests in Other Entities) (12 May 2011)	1 January 2014[1]	This combines the disclosure requirements for all interests in subsidiaries, joint ventures, associates and unconsolidated structured entities into a single standard. An entity is required to provide quantitative and qualitative disclosures about the types of risks and financial effects associated with the entity's interests in other entities. IFRS 12 results in increased disclosure requirements.
IFRS 13 (Fair Value Measurement) (12 May 2011)	1 January 2013	This sets out a uniform, cross-standard framework for the measurement of fair value. It requires a specific presentation of the techniques used to determine fair value. The application of the new standard will result in additional disclosure requirements.
IAS 27 (Separate Financial Statements) (revised 2011) (12 May 2011)	1 January 2014[1]	The existing standard IAS 27 (Consolidated and Separate Financial Statements) was revised in conjunction with the new standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 27 (Separate Financial Statements) (revised 2011). The revised standard now only contains requirements applicable to separate financial statements. The amendment will not affect the financial statements.

[1] These standards were adopted into European law with a different effective date than the original standards.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
IAS 28 (Investments in Associates and Joint Ventures) (revised 2011) (12 May 2011)	1 January 2014[1]	The existing standard IAS 28 (Investments in Associates) was revised in conjunction with the new standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 28 (Investments in Associates and Joint Ventures) (revised 2011). Its scope is being extended to include accounting for joint ventures using the equity method. The previous requirements of SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Venturers) are being incorporated into IAS 28. The change will have no significant influence on the financial statements.

The following are not relevant for the consolidated financial statements:
Amendments to IFRS 1 (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters), issued on 20 December 2010, effective for financial years beginning on or after 1 January 2013[1].
IFRIC 20 (Stripping Costs in the Production Phase of a Surface Mine), issued on 19 October 2011, required to be applied to financial years beginning on or after 1 January 2013.

[1] These standards were adopted into European law with a different effective date than the original standards.

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

The IASB and the IFRIC issued further Standards and Interpretations in financial year 2012 and in previous years whose application is not yet mandatory for financial year 2012. The application of these IFRSs is dependent on their adoption by the EU.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
IFRS 9 (Financial Instruments) (12 November 2009)	1 January 2015	Introduces new guidance for the classification and measurement of financial assets, with the aim of replacing IAS 39. Financial liabilities were added in 2010. The inclusion in IFRS 9 of the exposure drafts on Amortised Cost and Impairment and on Hedge Accounting is being discussed. The effects on the Group of the parts of IFRS 9 that have already been issued are being assessed. The decision on EU endorsement of the standard is yet to be made.
Amendments to IFRS 9 (Financial Instruments) and IFRS 7 (Financial Instruments: Disclosures) (16 December 2011)	1 January 2015	Announcement of the mandatory effective date and further specification of the transitional provisions. The disclosure requirements under IFRS 9 were added to IFRS 7 as an amendment.
Improvements to IFRSs 2009–2011 Cycle (17 May 2012)	1 January 2013	The annual improvements process relates to the following standards: IFRS 1 (First-time Adoption of International Financial Reporting Standards), IAS 1 (Presentation of Financial Statements), IAS 16 (Property, Plant and Equipment), IAS 32 (Financial Instruments: Presentation) and IAS 34 (Interim Financial Reporting). The amendments will not affect the presentation of the financial statements.
Amendments to IFRS 10, IFRS 11, IFRS 12: Transitional Provisions (28 June 2012)	1 January 2013[1]	The amendments relate to the transitional provisions in respect of the first-time application of the standards. They must be applied in line with the effective dates for IFRS 10, IFRS 11 and IFRS 12.

The following are not relevant for the consolidated financial statements:
Amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards: Government Loans), issued on 13 March 2012, effective for financial years beginning on or after 1 January 2013.
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), issued on 31 October 2012, effective for financial years beginning on or after 1 January 2014.

[1] These standards are expected to be adopted into European law with a different effective date (1 January 2014) than the original standards.

5 Currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros (€) in accordance with IAS 21 using the functional currency method. The functional currency of foreign companies is determined by the primary economic environment in which they mainly generate and use cash. Within the Group, the functional currency is predominantly the local currency. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rates, whilst periodic income and expenses are generally translated at the monthly closing rates. The resulting currency translation differences are recognised in other comprehensive income. In financial year 2012, currency translation differences amounting to €56 million (previous year: €165 million) were recognised in other comprehensive income (see the statement of comprehensive income and statement of changes in equity).

Goodwill arising from business combinations after 1 January 2005 is treated as an asset of the acquired company and therefore carried in the functional currency of the acquired company.

The exchange rates for the currencies that are significant for the Group were as follows:

Currency	Country	Closing rates 2011 EUR 1 =	Closing rates 2012 EUR 1 =	Average rates 2011 EUR 1 =	Average rates 2012 EUR 1 =
USD	USA	1.2935	1.3191	1.3994	1.2928
CHF	Switzerland	1.2166	1.2075	1.2319	1.2043
GBP	UK	0.8355	0.8156	0.8711	0.8116
AUD	Australia	1.2719	1.2719	1.3445	1.2445
JPY	Japan	100.1169	113.6625	111.3393	103.4778
CNY	China	8.1422	8.2180	9.0259	8.1458
SEK	Sweden	8.9254	8.5912	9.0081	8.6853

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

In accordance with IAS 21, receivables and liabilities in the financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate as at the balance sheet date. Currency translation differences are recognised in other operating income and expenses in the income statement. In financial year 2012, income of €178 million (previous year: €185 million) and expenses of €181 million (previous year: €189 million) resulted from currency translation differences. In contrast, currency translation differences relating to net investments in a foreign operation are recognised in other comprehensive income.

6 Accounting policies

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

Revenue and expense recognition

Deutsche Post DHL's normal business operations consist of the provision of logistics services. All income relating to normal business operations is recognised as revenue in the income statement. All other income is reported as other operating income. Revenue and other operating income is generally recognised when services are rendered, the amount of revenue and income can be reliably measured and, in all probability, the economic benefits from the transactions will flow to the Group. Operating expenses are recognised in income when the service is utilised or when the expenses are incurred.

Intangible assets

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

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

Intangible assets are amortised using the straight-line method over their useful lives. Licences are amortised over the term of the licence agreement. Capitalised customer relationships are amortised using the straight-line method over a period of five to 20 years. Impairment losses are recognised in accordance with the principles described in the section headed Impairment.

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 mainly include brand names from business combinations. 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 generally charged using the straight-line method. The estimated useful lives applied to the major asset classes are presented in the table below.

Useful lives

	Years[1]
Buildings	20 to 50
Technical equipment and machinery	10 to 20
Aircraft	15 to 20
IT systems	4 to 5
Transport equipment and vehicle fleet	4 to 18
Other operating and office equipment	8 to 10

[1] The useful lives indicated represent 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 balance sheet date, the carrying amounts of intangible assets, property, plant and equipment and investment property are reviewed for indications of impairment. If there are any such indications, an impairment test must be carried out. This is done by determining the recoverable amount of the relevant asset and comparing it with the carrying amount.

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

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

Finance leases

A lease financing transaction is an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, beneficial ownership of leased assets is attributed to the lessee if the lessee substantially bears all risks and rewards incident to ownership of the leased asset. To the extent that beneficial ownership is attributable to the Group as the lessee, the asset is capitalised at the date on which use starts, either at fair value or at the present value of the minimum lease payments if this is less than the fair value. A lease liability in the same amount is recognised under non-current liabilities. The lease is subsequently measured at amortised cost using the effective interest method. The depreciation methods and estimated useful lives correspond to those of comparable purchased assets.

Operating leases

For operating leases, the Group reports the leased asset at amortised cost as an asset under property, plant and equipment where it is the lessor. The lease payments recognised in the period are shown under other operating income. Where the Group is the lessee, the lease payments made are recognised as lease expense under materials expense. Lease expenses and income are recognised using the straight-line method.

Investments in associates

Investments in associates are accounted for using the equity method in accordance with IAS 28 (Investments in Associates). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investment is increased or reduced annually to reflect the share of earnings, dividends distributed and other changes in the equity of the associates attributable to the investments of Deutsche Post AG or its consolidated subsidiaries. The goodwill contained in the carrying amounts of the investments is accounted for in accordance with IFRS 3. Investments in companies accounted for using the equity method are impaired if the recoverable amount falls below the carrying amount.

Financial instruments

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

Fair value option

The Group applied the fair value option for the first time for financial year 2006. Under this option, financial assets or financial liabilities may be measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). The Group makes use of the option in order to avoid accounting mismatches.

Financial assets

Financial assets are accounted for in accordance with the provisions of IAS 39, which distinguishes between four categories of financial instruments.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

These financial instruments are non-derivative financial assets and are carried at their fair value, where this can be measured reliably. If a fair value cannot be determined, they are carried at cost. Changes in fair value between reporting dates are generally recognised in other comprehensive income (revaluation reserve). The reserve is reversed to income either upon disposal or if the fair value falls below cost more than temporarily. If, at a subsequent balance sheet date, the fair value of a debt instrument has increased objectively as a result of events occurring after the impairment loss was recognised, the impairment loss is reversed in the appropriate amount. Impairment losses recognised in respect of equity instruments may not be reversed to income. If equity instruments are recognised at fair value, any reversals must be recognised in other comprehensive income. No reversals may be made in the case of equity instruments that were recognised at cost. Available-for-sale financial instruments are allocated to non-current assets unless the intention is to dispose of them within 12 months of the balance sheet date. In particular, investments in unconsolidated subsidiaries, marketable securities and other equity investments are reported in this category.

HELD-TO-MATURITY FINANCIAL ASSETS

Financial instruments are assigned to this category if there is an intention to hold the instrument to maturity and the economic conditions for doing so are met. These financial instruments are non-derivative financial assets that are measured at amortised cost using the effective interest method.

LOANS AND RECEIVABLES

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Unless held for trading, they are recognised at cost or amortised cost at the balance sheet date. The carrying amounts of money market receivables correspond approximately to their fair values due to their short maturity. Loans and receivables are considered current assets if they mature not more than 12 months after the balance sheet date; otherwise, they are recognised as non-current assets. If the recoverability of receivables is in doubt, they are recognised at amortised cost, less appropriate specific or collective valuation allowances. A write-down on trade receivables is recognised if there are objective indications that the amount of the outstanding receivable cannot be collected in full. The write-down is recognised in the income statement via a valuation account.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All financial instruments held for trading and derivatives that do not satisfy the criteria for hedge accounting are assigned to this category. They are generally measured at fair value. All changes in fair value are recognised in income. All financial instruments in this category are accounted for at the trade date. Assets in this category are recognised as current assets if they are either held for trading or will likely be realised within 12 months of the balance sheet date.

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

The carrying amounts of financial assets not carried at fair value through profit or loss are tested for impairment at each balance sheet date and whenever there are indications of impairment. The amount of any impairment loss is determined by comparing the carrying amount and the fair value. If there are objective indications of impairment, an impairment loss is recognised in the income statement under other operating expenses or net financial income/net finance costs. Impairment losses are reversed if there are objective reasons arising after the balance sheet date indicating that the reasons for impairment no longer exist. The increased carrying amount resulting from the reversal of the impairment loss may not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if the impairment loss had not been recognised. Impairment losses are recognised within the Group if the debtor is experiencing significant financial difficulties, it is highly probable that the debtor will be the subject of bankruptcy proceedings, there are material changes in the issuer's technological, economic, legal or market environment, or the fair value of a financial instrument falls below its amortised cost for a prolonged period.

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

A cash flow hedge hedges the fluctuations in future cash flows from recognised assets and liabilities (in the case of interest rate risks), highly probable forecast transactions as well as unrecognised firm commitments that entail a currency risk. The effective portion of a cash flow hedge is recognised in the hedging reserve in equity. Ineffective portions resulting from changes in the fair value of the hedging instrument are recognised directly in income. The gains and losses generated by the hedging transactions are initially recognised in equity and are then reclassified to profit or loss in the period in which the asset acquired or liability assumed affects profit or loss. If a hedge of a firm commitment subsequently results in the recognition of a non-financial asset, the gains and losses recognised directly in equity are included in the initial carrying amount of the asset (basis adjustment).

Net investment hedges in foreign entities are treated in the same way as cash flow hedges. The gain or loss from the effective portion of the hedge is recognised in other comprehensive income, whilst the gain or loss attributable to the ineffective portion is recognised directly in income. The gains or losses recognised in other comprehensive income remain there until the disposal or partial disposal of the net investment. Detailed information on hedging transactions can be found in Note 47.2.

Regular way purchases and sales of financial assets are recognised at the settlement date, with the exception of held-for-trading instruments, particularly derivatives. A financial asset is derecognised if the rights to receive the cash flows from the asset have expired. Upon transfer of a financial asset, a review is made under the requirements of IAS 39 governing disposal as to whether the asset should be derecognised. A disposal gain/loss arises upon disposal. The remeasurement gains/losses recognised in other comprehensive income in prior periods must be reversed as at the disposal date. Financial liabilities are derecognised if the payment obligations arising from them have expired.

Investment property

In accordance with IAS 40, investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the supply of services, for administrative purposes, or for sale in the normal course of the company's business. It is measured in accordance with the cost model. Depreciable investment property is depreciated over a period of between five and 50 years using the straight-line method. The fair value is determined on the basis of expert opinions. Impairment losses are recognised in accordance with the principles described under the section headed Impairment.

Inventories

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

Government grants

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

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

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

Cash and cash equivalents

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

Non-controlling interests

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

Share-based 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 (Share Matching Scheme, SMS), which are required to be accounted for as equity-settled share-based payments pursuant to IFRS 2. Assumptions are also made regarding the conversion behaviour of executives with respect to their relevant bonus portion. Share-based payment arrangements are entered into each year, with 1 January of the respective year being the grant date for that year's tranche. All assumptions are reviewed on a quarterly basis. The resulting staff costs are recognised pro rata in profit or loss to reflect the services rendered as consideration during the vesting period (lock-up period). Obligations that in future are settled by issuing shares in Deutsche Post AG and do not provide the executives with a choice of settlement are recognised in equity pursuant to IFRS 2.

Stock appreciation rights issued to members of the Board of Management and executives 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.

Pension obligations

In a number of countries, the Group maintains defined benefit pension plans based on the pensionable compensation and length of service of employees. These pension plans are funded via external plan assets and provisions for pensions and similar obligations. Pension obligations are measured using the projected unit credit method prescribed by IAS 19 for defined benefit plans. This involves making certain actuarial assumptions. In accordance with the version of IAS 19.92 currently applicable, actuarial gains and losses are recognised only to the extent that they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets (10% corridor). The excess is allocated over the expected remaining working lives of the active employees and recognised in income. The interest cost and expected return on plan assets components of the pension expense are reported under net financial income/net finance costs, the other components under staff costs.

The Group also contributes to a number of defined contribution pension plans. Contributions to these pension plans are recognised as staff costs.

In addition, the Group participates in a number of multi-employer pension plans. The relevant institutions do not provide the participating companies with sufficient information which allows the allocation of the respective proportionate share of the defined benefit obligation, plan assets and costs. The plans are therefore accounted for as if they were defined contribution plans.

PENSION PLANS FOR CIVIL SERVANT EMPLOYEES IN GERMANY

Deutsche Post AG pays contributions to defined contribution plans for civil servants in accordance with statutory provisions.

Under the provisions of the *Gesetz zum Personalrecht der Beschäftigten der früheren Deutschen Bundespost* (PostPersRG – Deutsche Bundespost Former Employees Act), introduced as article 4 of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German Posts and Telecommunications Reorganisation Act), Deutsche Post AG provides benefit and assistance payments through a special pension fund for postal civil servants (*Postbeamtenversorgungskasse*) operated jointly, since early 2001, by the Deutsche Bundespost successor companies, the Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. The amount of Deutsche Post AG's payment obligations is governed by section 16 of the PostPersRG. Since 2000, this Act has obliged Deutsche Post AG to pay into the postal civil servant pension fund an annual contribution of 33% of the gross compensation of its active civil servants and the notional gross compensation of civil servants on leave of absence who are eligible for a pension.

In the year under review, expenses resulting from Deutsche Post AG's contributions to the BPS-PT amounted to €542 million (previous year: €531 million).

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

Under the *Gesetz zur Neuordnung der Postbeamtenversorgungskasse* (PVKNeuG – Act for the Reorganisation of the Postal Civil Servant Pension Fund), which entered into force on 1 January 2013, the Bundesanstalt für Post und Telekommunikation (BAnstPT – Federal Posts and Telecommunications Agency) as legal successor assumes the BPS-PT's rights and obligations and undertakes the tasks of the postal civil servant pension fund. There will be no change to the requirements relating to the contribution payable in accordance with section 16 of the PostPersRG.

PENSION PLANS FOR HOURLY WORKERS AND SALARIED EMPLOYEES

The obligations under defined benefit pension plans for the Group's hourly workers and salaried employees relate primarily to pension obligations in Germany and pension or lump-sum obligations in the UK, the Netherlands, Switzerland and the USA. There are various commitments to individual groups of employees. The commitments usually depend on length of service and either final salary (e.g., the UK) or the amount of contributions paid (e.g., Switzerland), or a fixed-amount benefit system (e.g., Germany).

Some of the defined benefit plans have been closed to new entrants (e.g., in the UK) or additionally to further increases in benefits for existing beneficiaries (e.g., in the USA); in these cases, there has been a switch to defined contribution plans. Financial information on the defined benefit plans can be found in Note 41.

In 2012, employer contributions totalling €238 million were paid in respect of defined contribution plans for the Group's hourly workers and salaried employees (previous year: €198 million).

Other provisions

Other provisions are recognised for all legal or constructive obligations to third parties existing at the balance sheet date that have arisen as a result of past events, that are expected to result in an outflow of future economic benefits and whose amount can be measured reliably. They represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk, region and time to settlement of the obligation. The discount rates used in the financial year were between 0.25% and 9.25% (previous year: 0.5% to 10.75%). The effects arising from changes in interest rates are recognised in net financial income/net finance cost.

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

The technical reserves (insurance) consist mainly of outstanding loss reserves and IBNR (incurred but not reported claims) reserves. Outstanding loss reserves represent estimates of ultimate 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 ultimate obligations in respect of incidents taking place on or before the balance sheet date that have not been reported to the company but will nonetheless give rise to claims in the future. Such reserves also include provisions for potential errors in settling outstanding loss reserves. The company carries out its own assessment of ultimate loss liabilities using actuarial methods and also commissions an independent actuarial study of these each year in order to verify the reasonableness of its estimates.

Financial liabilities

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

CONVERTIBLE BOND ON DEUTSCHE POST AG SHARES

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

Liabilities

Trade payables and other liabilities are carried at amortised cost. The fair value of the liabilities corresponds more or less to their carrying amount.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for temporary differences between the carrying amounts in the IFRS financial statements and the tax accounts of the individual entities. Deferred tax assets also include tax reduction claims which arise from the expected future utilisation of existing tax loss carryforwards and which are likely to be realised. In compliance with IAS 12.24 (b) and IAS 12.15 (b), deferred tax assets or liabilities were only recognised for temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG where the differences arose after 1 January 1995. No deferred tax assets or liabilities are recognised for temporary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG as at 1 January 1995. Further details on deferred taxes from tax loss carryforwards can be found in Note 29.

In accordance with IAS 12, deferred tax assets and liabilities are calculated using the tax rates applicable in the individual countries at the balance sheet date or announced for the time when the deferred tax assets and liabilities are realised. The tax rate of 29.8% (unchanged from the previous year) applied to German Group companies comprises the corporation tax rate plus the solidarity surcharge, as well as a municipal trade tax rate that is calculated as the average of the different municipal trade tax rates. Foreign Group companies use their individual income tax rates to calculate deferred tax items. The income tax rates applied for foreign companies amount to up to 41% (previous year: 41%).

Income taxes

Income tax assets and liabilities are measured at the amounts for which repayments from or payments to the tax authorities are expected to be received or made.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognised as liabilities; Note 48.

7 Exercise of judgement in applying the accounting policies

The preparation of IFRS-compliant consolidated financial statements requires the exercise of judgement by management. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances. For example, this applies to assets held for sale. In this case, it must be determined whether the assets are available for sale in their present condition and whether their sale is highly probable. If this is the case, the assets and the associated liabilities are reported and measured as assets held for sale and liabilities associated with assets held for sale.

Estimates and assessments made by management

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

When determining the provisions for pensions and similar obligations, the discount rate used is an important factor that has to be estimated. The database used previously to calculate the discount rate is no longer considered to represent an adequate basis because significantly fewer high-quality corporate bonds with matching maturities were included due to rating downgrades. To calculate the discount rate for the euro zone, both the selection criteria applicable to the database and the extrapolation procedure have therefore been adjusted. In the future, the database will include high-quality corporate bonds with an AA – rating from at least one of the three major rating agencies. Overall, as at 31 December 2012, the change led to a 0.45 percentage point increase in the discount rate applied for the measurement of pension obligations in the euro zone. A decrease of 0.45 percentage points in the discount rate would result in an increase of around €600 million in pension obligations in the euro zone and of around €14 million in the following year's expense (excluding remeasurements). An increase or a reduction of 1 percentage point in the discount rate used would generally result in a reduction or increase of around €1,050 million in the present value of the total obligations of pension plans in Germany at the end of the year and in a reduction or increase of around €31 million in the following year's expense (excluding remeasurements). For Group companies in the UK, such a change in the discount rate would result in a decrease or increase of around €630 million in the present value of the total obligation at the end of the year and in a decrease or increase of around €41 million in the following year's expense (excluding remeasurements).

The Group has operating activities around the globe and is subject to local tax laws. Management can exercise judgement when calculating the amounts of current and deferred taxes in the relevant countries. Although management believes that it has made a reasonable estimate relating to tax matters that are inherently uncertain, there can be no guarantee that the actual outcome of these uncertain tax matters will correspond exactly to the original estimate made. Any difference between actual events and the estimate made could have an effect on tax liabilities and deferred taxes in the period in which the matter is finally decided. The amount recognised for deferred tax assets could be reduced if the estimates of planned taxable income or the tax benefits achievable as a result of tax planning strategies are revised downwards, or in the event that changes to current tax laws restrict the extent to which future tax benefits can be realised.

Goodwill is regularly reported in the Group's balance sheet as a consequence of business combinations. When an acquisition is initially recognised in the consolidated financial statements, all identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. One of the most important estimates this requires is the determination of the fair values of these assets and liabilities at the date of acquisition. Land, buildings and office equipment are generally valued by independent experts, whilst securities for which there is an active market are recognised at the quoted exchange price. If intangible assets are identified in the course of an acquisition, their measurement can be based on the opinion of an independent external expert valuer, depending on the type of intangible asset and the complexity involved in determining its fair value. The independent expert determines the fair value using appropriate valuation techniques, normally based on expected future cash flows. In addition to the assumptions about the development of future cash flows, these valuations are also significantly affected by the discount rates used.

Impairment testing for goodwill is based on assumptions with respect to the future. The Group carries out these tests annually and also whenever there are indications that goodwill has become impaired. The recoverable amount of the CGU must then be calculated. This amount is the higher of fair value less costs to sell and value in use. Determining value in use requires adjustments and estimates to be made with respect to forecasted future cash flows and the discount rate applied. Although management believes that the assumptions made for the purpose of calculating the recoverable amount are appropriate, possible unforeseeable changes in these assumptions – e.g., a reduction in the EBIT margin, an increase in the cost of capital or a decline in the long-term growth rate – could result in an impairment loss that could negatively affect the Group's net assets, financial position and results of operations.

Pending legal proceedings in which the Group is involved are disclosed in Note 50. The outcome of these proceedings could have a significant effect on the net assets, financial position and results of operations of the Group. Management regularly analyses the information currently available about these proceedings and recognises provisions for probable obligations including estimated legal costs. Internal and external legal advisers participate in making this assessment. In deciding on the necessity for a provision, management takes into account the probability of an unfavourable outcome and whether the amount of the obligation can be estimated with sufficient reliability. The fact that an action has been launched or a claim asserted against the Group, or that a legal dispute has been disclosed in the Notes, does not necessarily mean that a provision is recognised for the associated risk.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the balance sheet date. For the purpose of estimating the future development of the business, a realistic assessment was also made at that date of the economic environment likely to apply in the future to the different sectors and regions in which the Group operates. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities, are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be any significant adjustments in financial year 2013 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 ventures and associates included in the consolidated financial statements, prepared in accordance with uniform accounting policies as at 31 December 2012 and audited by independent auditors.

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 incurred or assumed at the transaction date. Acquisition-related costs are recognised as expenses. Contingent consideration is recognised at fair value at the date of initial consolidation.

Joint ventures are proportionately consolidated in accordance with IAS 31. Assets and liabilities, as well as income and expenses, of jointly controlled companies are included in the consolidated financial statements in proportion to the interest held in these companies. Proportionate acquisition accounting as well as recognition and measurement of goodwill use the same methods as applied to the consolidation of subsidiaries.

Companies on which the parent can exercise significant influence (associates) are accounted for in accordance with the equity method using the purchase method of accounting. Any goodwill is recognised under investments in associates.

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

Intra-group revenue, other operating income, and expenses as well as receivables, liabilities and provisions between consolidated companies are eliminated. Intercompany profits or losses from intra-group deliveries and services not realised by sale to third parties are eliminated.

SEGMENT REPORTING

9 Segment reporting

Segments by division

€m	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Consolidation		Group	
1 Jan. to 31 Dec.	2011	2012	2011[1]	2012	2011[1]	2012	2011	2012	2011	2012	2011[1]	2012	2011	2012
External revenue	13,877	13,874	11,309	12,378	14,459	14,980	13,119	14,229	65	51	0	0	52,829	55,512
Internal revenue	96	98	382	400	659	686	104	111	1,195	1,152	–2,436	–2,447	0	0
Total revenue	13,973	13,972	11,691	12,778	15,118	15,666	13,223	14,340	1,260	1,203	–2,436	–2,447	52,829	55,512
Profit/loss from operating activities (EBIT)	1,107	1,051	916	1,108	440	512	362	416	–389	–420	0	–2	2,436	2,665
Net income from associates	1	0	0	0	1	2	0	0	58	0	0	0	60	2
Segment assets	4,325	4,433	8,587	8,684	8,007	7,951	6,314	6,264	3,167	1,322	–254	–215	30,146	28,439
Investments in associates	0	0	28	28	16	18	0	0	0	0	0	0	44	46
Segment liabilities[2]	2,919	2,505	2,684	2,547	2,959	2,950	2,924	2,825	820	797	–186	–120	12,120	11,504
Capex	433	332	601	597	136	150	252	300	294	318	0	0	1,716	1,697
Depreciation and amortisation	323	333	328	382	104	111	274	286	195	199	0	0	1,224	1,311
Impairment losses	31	1	6	18	0	0	13	2	0	7	0	0	50	28
Total depreciation, amortisation and impairment losses	354	334	334	400	104	111	287	288	195	206	0	0	1,274	1,339
Other non-cash expenses	321	329	189	279	108	79	115	129	40	58	0	0	773	874
Employees[3]	147,434	146,923	85,496	84,623	43,451	43,590	133,615	140,193	13,352	12,958	0	0	423,348	428,287

Information about geographical areas

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 Dec.	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
External revenue	16,743	16,825	17,475	17,840	8,808	9,819	7,611	8,619	2,192	2,409	52,829	55,512
Non-current assets	4,465	4,759	7,313	7,228	3,376	3,408	3,361	3,227	329	332	18,844	18,954
Capex	1,057	979	248	259	203	259	152	160	56	40	1,716	1,697

[1] Prior-year figures adjusted ➔ segment reporting disclosures.
[2] Including non-interest-bearing provisions.
[3] Average FTEs.

9.1 Segment reporting disclosures

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

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

The expenses for IT services provided in the IT service centres are allocated to the divisions by cause. The additional costs resulting from Deutsche Post AG's universal postal service obligation (nationwide retail outlet network, delivery every working day), and from its obligation to assume the compensation structure as the legal successor to Deutsche Bundespost, are allocated to the MAIL division.

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

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

9.2 Segments by division

MAIL

In addition to the transport and delivery of written communications, the MAIL division is positioned as an end-to-end service provider for the management of written communications. The division comprises the following business units: Mail Communication, Dialogue Marketing, Press Services, Value-Added Services, Parcel Germany, Global Mail, Retail Outlets and the Pension Service.

EXPRESS

The EXPRESS division offers international and domestic courier and express services to business and private customers. The division comprises the Express Europe, Express Americas, Express Asia Pacific and Express MEA business units. At the beginning of January 2012, the Czech less-than-truckload and part-truckload business of PPL CZ s.r.o. was transferred from the EXPRESS segment to the GLOBAL FORWARDING, FREIGHT segment. The transfer was made to enable the two divisions to concentrate on their respective core competencies. The prior-year figures were adjusted accordingly.

GLOBAL FORWARDING, FREIGHT

The activities of the GLOBAL FORWARDING, FREIGHT division comprise the transportation of goods by rail, road, air and sea. The division's business units are Global Forwarding and Freight. At the beginning of January 2012, the Czech less-than-truckload and part-truckload business of PPL CZ s.r.o. was transferred from the EXPRESS segment to the GLOBAL FORWARDING, FREIGHT segment. The transfer was made to enable the two divisions to concentrate on their respective core competencies. The prior-year figures were adjusted accordingly.

SUPPLY CHAIN

The division specialises in contract logistics and provides warehousing and transport services as well as value-added services along the entire supply chain in the different sectors. The division also offers end-to-end solutions for corporate information and communications management. The division's business units are Supply Chain and Williams Lea.

In addition to the reportable segments given above, segment reporting comprises the following categories:

Corporate Center/Other

Corporate Center/Other comprises Global Business Services (GBS), the Corporate Center, non-operating activities and other business activities. The profit/loss generated by GBS is allocated to the operating segments, whilst its assets and liabilities remain with GBS (asymmetrical allocation).

Consolidation

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

9.3 Information about geographical areas

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

9.4 Reconciliation of segment amounts

Reconciliation of segment amounts to consolidated amounts

Reconciliation

€m	Total for reportable segments		Corporate Center/Other		Reconciliation to Group/ Consolidation		Consolidated amount	
	2011[1]	2012	2011	2012	2011[1]	2012	2011	2012
External revenue	52,764	55,461	65	51	0	0	52,829	55,512
Internal revenue	1,241	1,295	1,195	1,152	−2,436	−2,447	0	0
Total revenue	**54,005**	**56,756**	**1,260**	**1,203**	**−2,436**	**−2,447**	**52,829**	**55,512**
Other operating income	1,825	1,966	1,305	1,420	−1,080	−1,218	2,050	2,168
Materials expense	−31,642	−33,161	−1,335	−1,294	2,433	2,592	−30,544	−31,863
Staff costs	−15,855	−16,849	−894	−941	19	20	−16,730	−17,770
Other operating expenses	−4,429	−4,492	−530	−602	1,064	1,051	−3,895	−4,043
Depreciation, amortisation and impairment losses	−1,079	−1,133	−195	−206	0	0	−1,274	−1,339
Profit/loss from operating activities (EBIT)	**2,825**	**3,087**	**−389**	**−420**	**0**	**−2**	**2,436**	**2,665**
Net income from associates	2	2	58	0	0	0	60	2
Net other finance costs	–	–	–	–	–	–	−837	−429
Profit before income taxes	–	–	–	–	–	–	**1,659**	**2,238**
Income taxes	–	–	–	–	–	–	−393	−458
Consolidated net profit for the period	–	–	–	–	–	–	**1,266**	**1,780**
of which attributable to								
Deutsche Post AG shareholders	–	–	–	–	–	–	1,163	1,658
Non-controlling interests	–	–	–	–	–	–	103	122

[1] Prior-year figures adjusted segment reporting disclosures.

The following table shows the reconciliation of Deutsche Post DHL's total assets to the segment assets. Financial assets, income tax assets, deferred taxes, cash and cash equivalents as well as additional interest-bearing asset components are deducted.

Reconciliation of segment assets

€m	2011	2012
Total assets	38,408	34,121
Investment property	−40	−43
Non-current financial assets including investments in associates	−773	−1,085
Other non-current assets	−454	−535
Deferred tax assets	−1,153	−1,257
Income tax assets	−239	−127
Receivables and other current assets	−10	−10
Current financial assets	−2,470	−225
Cash and cash equivalents	−3,123	−2,400
Segment assets	**30,146**	**28,439**
of which Corporate Center/Other	3,167	1,322
Total for reportable segments	27,233	27,332
Consolidation	−254	−215

The following table shows the reconciliation of Deutsche Post DHL's total liabilities to the segment liabilities. The interest-bearing components of the provisions and liabilities as well as income tax liabilities and deferred taxes are deducted.

Reconciliation of segment liabilities

€m	2011	2012
Total equity and liabilities	38,408	34,121
Equity	−11,199	−12,164
Consolidated liabilities	**27,209**	**21,957**
Non-current provisions	−6,874	−4,643
Non-current liabilities	−1,713	−4,689
Current provisions	−287	−182
Current liabilities	−6,215	−939
Segment liabilities	**12,120**	**11,504**
of which Corporate Center/Other	820	797
Total for reportable segments	11,486	10,827
Consolidation	−186	−120

INCOME STATEMENT DISCLOSURES

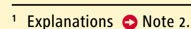
10 Revenue

€m	2011	2012
Revenue	52,829	55,512

Revenue increased by €2,683 million (5.1%) year-on-year to €55,512 million. The increase was due to the following factors:

Factors affecting revenue increase

€m	2012
Organic growth	1,161
Portfolio changes[1]	−216
Currency translation effects	1,738
Total	**2,683**

[1] Explanations  Note 2.

As in the prior-year period, there was no revenue in financial year 2012 that was generated on the basis of barter transactions. Revenue was up year-on-year in almost all areas.

The further classification of revenue by division and the allocation of revenue to geographical areas are presented in the segment reporting.

11 Other operating income

€m	2011	2012
Income from the reversal of provisions	398	396
Income from the remeasurement of liabilities	98	193
Income from currency translation differences	185	178
Insurance income	165	172
Income from fees and reimbursements	143	145
Rental and lease income	177	144
Gains on disposal of non-current assets	116	127
Commission income	94	119
Income from work performed and capitalised	117	105
Income from the remeasurement of assets and receivables	89	92
Income from prior-period billings	49	44
Income from loss compensation	21	24
Income from the derecognition of liabilities	34	20
Recoveries on receivables previously written off	17	13
Income from derivatives	13	11
Subsidies	11	9
Income from trade-related insurance deductions	7	6
Miscellaneous	316	370
Other operating income	**2,050**	**2,168**

The income from the reversal of provisions primarily reflects changes in the assessment of settlement payment obligations assumed in the context of the restructuring measures in the USA.

The increase in income from the remeasurement of liabilities relates largely to the reversal of accruals no longer required.

Amongst other things, gains on disposal of non-current assets include deconsolidation effects from the sale of the Express Couriers Limited (ECL) and Parcel Direct Group Pty Limited (PDG) joint ventures as well as from the change in the method of consolidation for Exel Saudia LLC.

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

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

12 Materials expense

€m	2011	2012
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Goods purchased and held for resale	1,564	1,779
Aircraft fuel	1,034	1,364
Fuel	804	871
Packaging material	290	351
Spare parts and repair materials	85	80
Office supplies	69	60
Other expenses	111	123
	3,957	**4,628**
Cost of purchased services		
Transportation costs	18,329	18,835
Cost of temporary staff	1,953	2,015
Expenses from non-cancellable leases	1,640	1,730
Maintenance costs	974	965
IT services	659	611
Expenses from cancellable leases	485	545
Commissions paid	440	456
Expenses for the use of Postbank branches	450	430
Other lease expenses (incidental expenses)	239	254
Other purchased services	1,418	1,394
	26,587	**27,235**
Materials expense	**30,544**	**31,863**

The increase in the materials expense is due on the one hand to higher aircraft fuel prices, and on the other hand to higher transportation costs as a result of the expansion of business activities.

Other expenses include a large number of individual items.

13 Staff costs/employees

€m	2011	2012
Wages, salaries and compensation	13,350	14,179
of which expenses under Share Matching Scheme	35	35
of which expenses from 2006 SAR Plan/LTIP	24	143
Social security contributions	2,022	2,094
Retirement benefit expenses	915	984
Expenses for other employee benefits	317	336
Expenses for severance payments	126	177
Staff costs	**16,730**	**17,770**

€16 million of the expenses under the Share Matching Scheme (previous year: €15 million) is attributable to cash-settled share-based payments and €19 million (previous year: €20 million) to equity-settled transactions.

Staff costs relate mainly to wages, salaries and compensation, as well as all other benefits paid to employees of the Group for their services in the year under review. Social security contributions relate in particular to statutory social security contributions paid by employers.

Retirement benefit expenses include additions to provisions for pensions and similar obligations with the exception of unwinding of discounts recognised in net financial income/net finance costs, as well as contributions to defined contribution pension plans. Detailed information can be found in Notes 6, 17 and 41.

The average number of Group employees in the year under review, broken down by employee group, was as follows:

Employees

	2011	2012
Hourly workers and salaried employees	418,375	424,950
Civil servants	44,421	42,461
Trainees	4,392	4,910
Employees	**467,188**	**472,321**

The employees of companies acquired or disposed of during the year under review were included rateably. Calculated as full-time equivalents, the number of employees as at 31 December 2012 amounted to 428,129 (31 December 2011: 423,502). The number of employees at consolidated joint ventures amounted to 169 on a proportionate basis (previous year: 1,199).

14 Depreciation, amortisation and impairment losses

€m	2011	2012
Amortisation of intangible assets, excluding the impairment of goodwill	306	295
Depreciation of property, plant and equipment		
Land and buildings (including leasehold improvements)	175	180
Technical equipment and machinery	233	242
Other equipment, operating and office equipment, vehicle fleet	418	420
Aircraft	142	202
Advance payments	0	0
	968	1,044
	1,274	**1,339**
Impairment of goodwill	0	0
Depreciation, amortisation and impairment losses	**1,274**	**1,339**

Depreciation, amortisation and impairment losses increased by €65 million year-on-year to €1,339 million. This figure includes impairment losses of €28 million (previous year: €50 million). The impairment losses are attributable to the segments as follows:

Impairment losses on non-current assets

€m	2011	2012
MAIL	**31**	**1**
Intangible assets	29	0
Property, plant and equipment	2	1
EXPRESS	**6**	**18**
Property, plant and equipment	6	18
of which aircraft	1	18
SUPPLY CHAIN	**13**	**2**
Intangible assets	0	1
Property, plant and equipment	13	1
of which land and buildings (including leasehold improvements)	7	0
of which technical equipment and machinery	6	1
Corporate Center/Other	**0**	**7**
Property, plant and equipment	0	7
of which land and buildings	0	7
Impairment losses	**50**	**28**

The impairment losses result mainly from aircraft that are no longer used.

In the previous year, most of the impairment losses were attributable to the MAIL segment and mainly related to software that was no longer in use.

15 Other operating expenses

€m	2011	2012
Other business taxes	315	550
Travel and training costs	343	344
Expenses for advertising and public relations	399	341
Cost of purchased cleaning and security services	289	315
Insurance costs	203	240
Warranty expenses and compensation payments	241	237
Telecommunication costs	234	227
Consulting costs	198	206
Write-downs of current assets	210	198
Expenses from currency translation differences	189	181
Office supplies	173	172
Entertainment and corporate hospitality expenses	151	144
Services provided by the Federal Posts and Telecommunications Agency	111	87
Voluntary social benefits	80	78
Contributions and fees	61	69
Commissions paid	63	68
Legal advisory costs	62	66
Losses on disposal of assets	69	59
Expenses from derivatives	28	56
Monetary transaction costs	33	38
Audit costs	30	32
Expenses from prior-period billings	31	28
Donations	17	19
Miscellaneous	365	288
Other operating expenses	**3,895**	**4,043**

The increase in other business taxes relates to the additional VAT payment for the period from 1998 to 30 June 2010; Note 3.

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

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

16 Net income from associates

€m	2011	2012
Net income from associates	60	2

Investments in companies on which a significant influence can be exercised and which are accounted for using the equity method contributed €2 million (previous year: €60 million, of which €58 million was attributable to Deutsche Postbank AG) to net finance costs. This contribution mainly relates to Danzas AEI Emirates LLC, United Arab Emirates.

Net income from associates decreased as a result of the disposal of Deutsche Postbank AG.

17 Net other finance costs

€m	2011	2012
Other financial income		
Interest income	74	48
Income from other equity investments and financial assets	8	6
Gains on the disposal of associates	0	541
Other financial income	508	62
	590	**657**
Other finance costs		
Interest expenses	–660	–642
of which unwinding of discounts for provisions for pensions and other provisions	–299	–352
Write-downs of financial assets	–98	–35
Other finance costs	–633	–372
	–1,391	**–1,049**
Foreign currency result	–36	–37
Net other finance costs	**–837**	**–429**

In the previous year, €63 million of the write-downs of financial assets related to impairments in Corporate Center/Other of the equity interest in Deutsche Postbank AG due to the decline in the share price at the time of reclassification, and €9 million to the equity-accounted company Unipost Servicios Generales S.L., Spain, included in the MAIL segment.

Net finance costs includes interest income of €48 million (previous year: €74 million) as well as interest expense of €642 million (previous year: €660 million). These result from financial assets and liabilities that were not measured at fair value through profit or loss.

The effects of the Postbank sale, which was completed in February 2012, and the interest expense on the additional VAT payment, were the main factors affecting the net other finance costs of €429 million (previous year: €837 million); Note 3.

18 Income taxes

€m	2011	2012
Current income tax expense	–565	–591
Current recoverable income tax	21	4
	–544	**–587**
Deferred tax expense from temporary differences	–29	–58
Deferred tax income from tax loss carryforwards	180	187
	151	**129**
Income taxes	**–393**	**–458**

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

Reconciliation

€m	2011	2012
Profit before income taxes	1,659	2,238
Expected income taxes	–494	–667
Deferred tax assets not recognised for initial differences	14	8
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	164	99
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	54	143
Effect of current taxes from previous years	–106	–70
Tax-exempt income and non-deductible expenses	–68	–42
Differences in tax rates at foreign companies	43	71
Income taxes	**–393**	**–458**

The difference from deferred tax assets not recognised for initial differences is due to temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG that result from initial differences in the opening tax accounts as at 1 January 1995. In accordance with IAS 12.15 (b) and IAS 12.24 (b), the Group did not recognise any deferred tax assets in respect of these temporary differences, which relate mainly to property, plant and equipment as well as to provisions for pensions and similar obligations. The remaining temporary differences between the carrying amounts in the IFRS financial statements and in the opening tax accounts amounted to €788 million as at 31 December 2012 (previous year: €815 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.

€85 million (previous year: €39 million) of the effects from deferred tax assets not recognised for tax loss carryforwards and temporary differences relates to the reduction of the effective income tax expense due to the utilisation of tax loss carryforwards and temporary differences, for which deferred tax assets had previously not been recognised. In addition, the recognition of deferred taxes previously not recognised for tax loss carryforwards and of deductible temporary differences from a prior period reduced the deferred tax expense by €207 million (previous year: €144 million). Effects from unrecognised deferred tax assets amounting to €79 million (previous year: €239 million, write-down) were due to a valuation allowance recognised for a deferred tax asset. Other effects from unrecognised deferred tax assets primarily relate to tax loss carryforwards for which no deferred taxes were recognised.

A deferred tax asset in the amount of €979 million (previous year: €881 million) was recognised in the balance sheet for companies that reported a loss in the previous year or in the current period as, based on tax planning, realisation of the tax asset is probable.

In financial year 2012, as in the previous year, German Group companies were not affected by tax rate changes. The change in the tax rate in some foreign tax jurisdictions did not lead to any significant effects.

The effective income tax expense includes prior-period tax expenses from German and foreign companies in the amount of €70 million (previous year: expense of €106 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
2012			
Currency translation reserve	10	0	10
Other changes in retained earnings	2	0	2
IAS 39 hedging reserve	36	–9	27
IAS 39 revaluation reserve	–12	2	–10
IFRS 3 revaluation reserve	–2	0	–2
Share of other comprehensive income of associates	–37	0	–37
Other comprehensive income	**–3**	**–7**	**–10**
2011			
Currency translation reserve	167	0	167
Other changes in retained earnings	1	0	1
IAS 39 hedging reserve	–3	1	–2
IAS 39 revaluation reserve	–7	–2	–9
IFRS 3 revaluation reserve	–1	0	–1
Share of other comprehensive income of associates	10	0	10
Other comprehensive income	**167**	**–1**	**166**

19 Consolidated net profit for the period

In financial year 2012, the Group generated a consolidated net profit for the period of €1,780 million (previous year: €1,266 million). Of this figure, €1,658 million (previous year: €1,163 million) was attributable to Deutsche Post AG shareholders.

20 Non-controlling interests

The net profit attributable to non-controlling interests increased by €19 million to €122 million.

21 Earnings per share

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share) by dividing consolidated net profit by the average number of shares. Basic earnings per share for financial year 2012 were €1.37 (previous year: €0.96).

Basic earnings per share

		2011	2012
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,163	1,658
Weighted average number of shares outstanding	number	1,208,878,374	1,208,890,874
Basic earnings per share	€	0.96	1.37

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. This item includes the executives' rights to shares under the Share Matching Scheme (as at 31 December 2012: 6,192,747 shares) and the maximum number of ordinary shares that can be issued on exercise of the conversion rights under the convertible bond issued on 6 December 2012. Consolidated net profit for the period attributable to Deutsche Post AG shareholders was increased by the amounts spent for the convertible bonds.

Diluted earnings per share

		2011	2012
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,163	1,658
Plus interest expense on the convertible bond	€m	–	0[1]
Less income taxes	€m	–	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	–	1,658
Weighted average number of shares outstanding	number	1,208,878,374	1,208,890,874
Potentially dilutive shares	number	1,799,459	51,569,759
Weighted average number of shares for diluted earnings	number	1,210,677,833	1,260,460,633
Diluted earnings per share	€	0.96	1.32

[1] Rounded below €1 million.

22 Dividend per share

A dividend per share of €0.70 is being proposed for financial year 2012. Based on the 1,209,015,874 shares recorded in the commercial register as at 31 December 2012, this corresponds to a dividend distribution of €846 million. In the previous year the dividend amounted to €0.70 per share. Further details on the dividend distribution can be found in Note 39.

BALANCE SHEET DISCLOSURES

23 Intangible assets

23.1 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 2011	**981**	**462**	**860**	**1,291**	**11,793**	**60**	**15,447**
Additions from business combinations	0	4	49	12	136	0	**201**
Additions	98	0	0	106	4	82	**290**
Reclassifications	8	0	0	47	0	–42	**13**
Disposals	–37	0	0	–39	–34	–11	**–121**
Currency translation differences	–1	15	33	6	209	0	**262**
Balance at 31 December 2011/1 January 2012	**1,049**	**481**	**942**	**1,423**	**12,108**	**89**	**16,092**
Additions from business combinations	0	0	0	0	33	0	**33**
Additions	65	0	4	134	0	101	**304**
Reclassifications	27	10	0	33	0	–49	**21**
Disposals	–57	0	0	–92	–29	–7	**–185**
Currency translation differences	–1	11	–2	2	–53	0	**–43**
Balance at 31 December 2012	**1,083**	**502**	**944**	**1,500**	**12,059**	**134**	**16,222**
Amortisation and impairment losses							
Balance at 1 January 2011	**669**	**432**	**397**	**973**	**1,127**	**1**	**3,599**
Additions from business combinations	0	0	0	1	0	0	**1**
Amortisation	98	0	71	108	0	0	**277**
Impairment losses	28	0	0	1	0	0	**29**
Reclassifications	0	0	0	1	0	0	**1**
Reversals of impairment losses	0	0	0	–1	0	0	**–1**
Disposals	–25	0	0	–28	–7	0	**–60**
Currency translation differences	0	14	19	2	15	0	**50**
Balance at 31 December 2011/1 January 2012	**770**	**446**	**487**	**1,057**	**1,135**	**1**	**3,896**
Additions from business combinations	0	0	0	0	0	0	**0**
Amortisation	97	0	78	119	0	0	**294**
Impairment losses	0	0	0	1	0	0	**1**
Reclassifications	5	0	0	–5	0	0	**0**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	–51	0	0	–79	–3	0	**–133**
Currency translation differences	0	11	–5	2	5	0	**13**
Balance at 31 December 2012	**821**	**457**	**560**	**1,095**	**1,137**	**1**	**4,071**
Carrying amount at 31 December 2012	**262**	**45**	**384**	**405**	**10,922**	**133**	**12,151**
Carrying amount at 31 December 2011	279	35	455	366	10,973	88	12,196

In financial year 2012, after the historical cost of intangible assets had been compared with the amounts available in local accounting systems, an adjustment was made for accumulated cost, and amortisation and impairment losses, in the amount of €199 million, with no effect on either the balance sheet or the income statement. The prior-year figures were adjusted accordingly.

Purchased software, concessions, industrial rights, licences and similar rights and assets are reported under purchased intangible assets. Internally generated intangible assets relate to development costs for internally developed software. Other than goodwill, only brand names that are acquired in their entirety are considered to have indefinite useful lives.

The additions to goodwill represent the goodwill of intelliAd Media GmbH, Exel Saudia LLC and 2 Sister Food Group; Note 2.

Of the net disposals of goodwill, €10 million relates to Parcel Direct Group and €16 million to Express Couriers Limited; Note 2.

23.2 Allocation of goodwill to CGUs

€m	2011	2012
Total goodwill[1]	**10,973**	**10,922**
MAIL	**687**	**701**
EXPRESS	**4,161**	**4,092**
GLOBAL FORWARDING, FREIGHT		
DHL Global Forwarding	3,843	3,802
DHL Freight	280	320
SUPPLY CHAIN		
DHL Supply Chain	1,699	1,699
Williams Lea	417	422

[1] Goodwill from reconciliation amounts to €–114 million (previous year: €–114 million).

For the purposes of annual impairment testing in accordance with IAS 36, the Group determines the recoverable amount of a CGU on the basis of its value in use. This calculation is based on projections of free cash flows that are initially discounted at a rate corresponding to the post-tax cost of capital. Pre-tax discount rates are then determined iteratively.

The cash flow projections are based on the detailed planning for EBIT, depreciation/amortization 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 2013 to 2015. It is supplemented by a perpetual annuity representing the value added from 2016 onwards. This is calculated using a long-term growth rate, which is determined for each CGU separately and which is shown in the table below. The growth rates applied are based on long-term real growth figures for the relevant economies, growth expectations for the relevant sectors and long-term inflation forecasts for the countries in which the CGUs operate. The cash flow forecasts are based both on past experience and on the effects of the anticipated future general market trend. In addition, the forecasts take into account growth in the respective geographical submarkets and in global trade, and the ongoing trend towards outsourcing logistics activities. Cost trend forecasts for the transportation network and services also have an impact on value in use.

The pre-tax cost of capital is based on the weighted average cost of capital. The (pre-tax) discount rates for the individual CGUs and the growth rates assumed in each case for the perpetual annuity are shown in the following table:

%	Discount rates		Growth rates	
	2011	2012	2011	2012
SUPPLY CHAIN				
DHL Supply Chain	9.2	9.2	2.5	2.5
Williams Lea	7.8	7.8	2.0	2.0
GLOBAL FORWARDING, FREIGHT				
DHL Freight	9.4	9.4	2.0	2.0
DHL Global Forwarding	9.2	9.1	2.5	2.5
MAIL	8.6	8.0	0.5	0.5
EXPRESS	n/a	9.2	n/a	2.0

On the basis of these assumptions and the impairment tests carried out for the individual CGUs to which goodwill was allocated, it was established that the recoverable amounts for all CGUs exceed their carrying amounts. No impairment losses were recognised on goodwill in any of the CGUs as at 31 December 2012.

When performing the impairment test, Deutsche Post DHL conducted sensitivity analyses as required by IAS 36.134. These analyses did not reveal any risk of impairment to goodwill.

24 Property, plant and equipment

24.1 Overview

€m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Aircraft	Vehicle fleet and transport equipment	Advance payments and assets under development	Total
Cost							
Balance at 1 January 2011	**4,445**	**4,164**	**2,386**	**1,674**	**1,961**	**232**	**14,862**
Additions from business combinations	24	18	9	0	6	0	**57**
Additions	60	238	182	36	277	637	**1,430**
Reclassifications	26	128	43	120	63	–414	**–34**
Disposals	–87	–268	–140	–120	–269	–18	**–902**
Currency translation differences	21	11	–1	–3	2	7	**37**
Balance at 31 December 2011/1 January 2012	**4,489**	**4,291**	**2,479**	**1,707**	**2,040**	**444**	**15,450**
Additions from business combinations	2	2	3	0	0	0	**7**
Additions	88	138	160	116	278	613	**1,393**
Reclassifications	88	201	52	402	33	–782	**–6**
Disposals	–124	–616	–168	–162	–238	–13	**–1,321**
Currency translation differences	–3	–6	–6	–6	1	1	**–19**
Balance at 31 December 2012	**4,540**	**4,010**	**2,520**	**2,057**	**2,114**	**263**	**15,504**
Depreciation and impairment losses							
Balance at 1 January 2011	**1,918**	**3,097**	**1,800**	**813**	**1,101**	**3**	**8,732**
Additions from business combinations	18	10	5	0	1	0	**34**
Depreciation	167	226	209	141	205	0	**948**
Impairment losses	8	7	2	1	2	0	**20**
Reclassifications	–6	–11	0	0	11	0	**–6**
Reversals of impairment losses	–4	–1	0	0	0	0	**–5**
Disposals	–73	–254	–129	–111	–226	–2	**–795**
Currency translation differences	15	11	1	–1	3	0	**29**
Balance at 31 December 2011/1 January 2012	**2,043**	**3,085**	**1,888**	**843**	**1,097**	**1**	**8,957**
Additions from business combinations	1	1	2	0	0	0	**4**
Depreciation	172	241	214	184	206	0	**1,017**
Impairment losses	8	1	0	18	0	0	**27**
Reclassifications	9	0	3	0	0	0	**12**
Reversals of impairment losses	0	–1	0	–9	0	0	**–10**
Disposals	–51	–592	–157	–147	–206	0	**–1,153**
Currency translation differences	–6	–3	–3	–2	1	0	**–13**
Balance at 31 December 2012	**2,176**	**2,732**	**1,947**	**887**	**1,098**	**1**	**8,841**
Carrying amount at 31 December 2012	**2,364**	**1,278**	**573**	**1,170**	**1,016**	**262**	**6,663**
Carrying amount at 31 December 2011	**2,446**	**1,206**	**591**	**864**	**943**	**443**	**6,493**

The accumulated cost and depreciation were each adjusted by €296 million based on the results of an asset inventory. This had no effect on the balance sheet or income statement. The prior-year figures were adjusted accordingly.

Advance payments relate only to advance payments on items of property, plant and equipment for which the Group has paid advances in connection with uncompleted transactions. Assets under development relate to items of property, plant and equipment in progress at the balance sheet date for whose production internal or third-party costs have already been incurred.

24.2 Finance leases

The following assets are carried as non-current assets resulting from finance leases:

€m	2011	2012
Land and buildings	51	47
Technical equipment and machinery	6	5
Other equipment, operating and office equipment	17	12
Aircraft	249	212
Vehicle fleet and transport equipment	4	4
Finance leases	**327**	**280**

The corresponding liabilities from finance leases are included under financial liabilities; Note 43.3.

25 Investment property

€m	2011	2012
Cost		
As at 1 January	53	61
Reclassifications	13	–6
Disposals	–5	–2
Currency translation differences	0	0
As at 31 December	**61**	**53**
Depreciation		
As at 1 January	16	21
Reclassifications	5	–11
As at 31 December	**21**	**10**
Carrying amount as at 31 December	**40**	**43**

Rental income for this property amounted to €3 million (previous year: €3 million), whilst the related expenses amounted to €3 million (previous year: €4 million). The fair value amounted to €82 million (previous year: €90 million).

26 Investments in associates

Investments in associates changed as follows:

€m	2011	2012
As at 1 January	1,847	44
Additions	0	3
Changes in Group's share of equity		
Changes recognised in profit or loss	60	2
Profit distributions	0	–1
Changes recognised in other comprehensive income	10	0
Impairment losses	–72	0
Elimination of intercompany profits and losses	0	0
Reclassified to current assets	–1,801	–2
Carrying amount as at 31 December	**44**	**46**

Investments in associates principally relate to Air Hong Kong Ltd, China, Danzas AEI Emirates LLC, United Arab Emirates, Tasman Cargo Airlines Pty. Limited, Australia, and Unipost Servicios Generales S.L., Spain.

The additions relate to the companies DHL Oman and All you need GmbH, Berlin, the latter of which was subsequently reclassified to current assets with a view to resale; Notes 2 and 35.

The reclassification as held for sale of the carrying amount of the investment in Deutsche Postbank AG (€1,801 million) in the previous year led to a decline in investments in associates; Notes 3 and 35.

Further disclosures on impairment losses are contained in Note 17.

The following tables show a summary of the aggregate income statements and balance sheets of the associates. The amounts do not relate to the shares attributable to Deutsche Post DHL, but are presented based on a notional 100% shareholding.

Aggregate results

€m	2011	2012
Revenue	584	646
Net profit for the year	4	3

Aggregate balance sheets

€m	2011	2012
Assets	513	469
Liabilities and provisions	410	373

27 Non-current financial assets

€m	2011	2012
Available-for-sale financial assets	172	162
Loans and receivables	428	737
Assets at fair value through profit or loss	94	115
Lease receivables	35	25
Non-current financial assets	**729**	**1,039**

The increase in loans and receivables is mainly due to the €298 million demanded as repayment of state aid; Note 3.

Write-downs of non-current financial assets amounting to €6 million (previous year: €13 million) were recognised in the income statement because the assets were impaired. €6 million (previous year: €12 million) of this amount is attributable to assets at fair value through profit or loss and €0 million (previous year: €1 million) to available-for-sale financial assets.

Compared with the market rates of interest prevailing at 31 December 2012 for comparable non-current financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognised in the balance sheet at a present value of €26 million (previous year: €15 million). The principal amount of these loans totals €27 million (previous year: €17 million).

Details on restraints on disposal are contained in Note 47.2.

28 Other non-current assets

€m	2011	2012
Pension assets	453	534
Miscellaneous	117	99
Other non-current assets	**570**	**633**

Further information on pension assets can be found in Note 41.

29 Deferred taxes

€m	2011		2012	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	38	224	37	173
Property, plant and equipment	92	44	93	46
Non-current financial assets	22	54	18	59
Other non-current assets	7	49	7	55
Other current assets	40	48	38	33
Provisions	269	40	224	56
Financial liabilities	215	75	124	11
Other liabilities	115	47	104	45
Tax loss carryforwards	681	–	861	–
Gross amount	**1,479**	**581**	**1,506**	**478**
Netting	–326	–326	–249	–249
Carrying amount	**1,153**	**255**	**1,257**	**229**

€602 million (previous year: €523 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €259 million (previous year: €158 million) to foreign tax loss carryforwards.

No deferred tax assets were recognised for tax loss carryforwards of around €11.9 billion (previous year: €12.4 billion) and for temporary differences of around €1,772 million (previous year: €2,097 million), as it can be assumed that the Group will probably not be able to use these tax loss carryforwards and temporary differences in its tax planning.

Most of the tax loss carryforwards are attributable to Deutsche Post AG. It will be possible to utilise them for an indefinite period of time. In the case of the foreign companies, the significant tax loss carryforwards will not lapse before 2024.

Deferred taxes have not been recognised for temporary differences of €563 million (previous year: €572 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

Maturity structure

€m	Short-term	Long-term	Netting	Total
2012				
Deferred tax assets	492	1,014	–249	**1,257**
Deferred tax liabilities	125	353	–249	**229**
2011				
Deferred tax assets	571	908	–326	1,153
Deferred tax liabilities	326	255	–326	255

30 Inventories

Standard costs for inventories of postage stamps and spare parts in freight centres amounted to €15 million (previous year: €13 million). There was no requirement to charge significant valuation allowances on these inventories.

€m	2011	2012
Raw materials, consumables and supplies	170	184
Work in progress	28	60
Finished goods and goods purchased and held for resale	55	52
Spare parts for aircraft	20	25
Advance payments	0	1
Inventories	**273**	**322**

31 Income tax assets and liabilities

€m	2011	2012
Income tax assets	239	127
Income tax liabilities	570	534

All income tax assets and liabilities are current and have maturities of less than one year.

32 Receivables and other current assets

€m	2011	2012
Trade receivables	6,426	6,418
Prepaid expenses	672	679
Deferred revenue	480	534
Current tax receivables	586	491
Receivables from private postal agencies	8	148
Income from cost absorption	86	61
Creditors with debit balances	39	43
Receivables from loss compensation (recourse claims)	23	25
Receivables from employees	25	23
Receivables from insurance business	16	20
Receivables from Group companies	27	7
Receivables from cash-on-delivery	13	7
Receivables from sale of assets	29	0
Receivables from Bundes-Pensions-Service für Post und Telekommunikation e.V.	11	0
Miscellaneous other assets	648	656
Receivables and other current assets	**9,089**	**9,112**

Of the tax receivables, €373 million (previous year: €470 million) relates to VAT, €68 million (previous year: €71 million) to customs and duties, and €50 million (previous year: €45 million) to other tax receivables. Miscellaneous other assets include a large number of individual items.

33 Current financial assets

€m	2011	2012
Available-for-sale financial assets	8	24
Loans and receivables	215	77
Financial assets at fair value through profit or loss	2,234	109
Lease receivables	41	42
Current financial assets	**2,498**	**252**

The reduction in current financial assets is attributable to the sale of the interest in Deutsche Postbank and the associated put option recognised under assets at fair value through profit or loss in the previous year.

Of the available-for-sale financial assets, €24 million (previous year: €8 million) was measured at fair value. Details on restraints on disposal are contained in Note 47.2.

34 Cash and cash equivalents

€m	2011	2012
Cash equivalents	1,914	884
Bank balances	751	959
Cash in transit	311	441
Cash	18	13
Other cash and cash equivalents	129	103
Cash and cash equivalents	**3,123**	**2,400**

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

The amounts reported under these items mainly relate to the following:

€m	Assets		Liabilities	
	2011	2012	2011	2012
Deutsche Post AG – real estate (Corporate Center/Other)	21	22	0	0
DHL Fashion (France) SAS, France – fashion logistics (SUPPLY CHAIN segment)	0	13	0	18
Investment in All you need GmbH, Germany – (MAIL segment)	0	11	0	1
Exel Inc., USA – real estate (SUPPLY CHAIN segment)	3	9	0	0
DHL Logistics (China) Co. Ltd., China – real estate (SUPPLY CHAIN segment)	0	8	0	7
Cargus International S.R.L., Romania – domestic express business (EXPRESS segment)	0	7	0	4
Deutsche Post Immobilien GmbH, Germany – real estate (Corporate Center/Other)	0	4	0	0
US Express Aviation, USA – aircraft (EXPRESS segment)	4	2	0	0
Investment in Deutsche Postbank AG (Corporate Center/Other)	1,916	0	0	0
Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG, Germany – real estate (Corporate Center/Other)	15	0	0	0
Miscellaneous	2	0	0	0
Assets held for sale and liabilities associated with assets held for sale	**1,961**	**76**	**0**	**30**

INVESTMENT IN DEUTSCHE POSTBANK AG

The sale of the interest in Deutsche Postbank AG held by Deutsche Post AG was completed at the end of February 2012; Note 3. At the end of February 2011, the shares of Deutsche Postbank AG held by Deutsche Post AG amounting to a 39.5% interest (86,417,432 shares) were reclassified as held for sale. As a result, the investment in Deutsche Postbank was measured in accordance with IFRS 5.

In the previous year, the last measurement of the carrying amount of the investment prior to its reclassification resulted in an impairment loss of €63 million. This was presented in write-downs of financial assets; Note 17. Additional write-downs of €136 million were recognised following the reclassification to assets held for sale in February 2011. In accordance with IFRS 5.21, any subsequent increase in fair value less costs to sell of the held-for-sale interest in Deutsche Postbank AG must be recognised as a gain, but not in excess of the cumulative impairment loss.

All previous write-downs in the total amount of €251 million were reversed due to the increase in Postbank's share price to €24.13 as at the end of 2011. The equity item included €81 million in income from the IAS 39 revaluation reserve and €44 million in expenses from the currency translation reserve that were attributable to Deutsche Postbank AG.

DEUTSCHE POST DHL CORPORATE REAL ESTATE MANAGEMENT GMBH & CO. LOGISTIKZENTREN KG

The properties held for sale by Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG (formerly Deutsche Post Immobilienentwicklung Grundstücksgesellschaft) Germany, were reclassified as non-current assets due to lack of demand.

ALL YOU NEED GMBH

All you need GmbH, Germany, was acquired with a view to resale by Deutsche Post Beteiligungen Holding GmbH; Note 2. In accordance with IFRS 5.39, the major classes of assets and liabilities are not disclosed. As, to date, no adjustment had to be made due to subsequent measurement and no gain/loss on disposal was recorded, presentation of a profit/loss from discontinued operations item was not required.

DHL LOGISTICS CHINA CO. LTD.

DHL Logistics China Co. Ltd., China, plans to sell a warehouse and to transfer the financial liability of €7 million related to the warehouse.

CARGUS INTERNATIONAL S.R.L.

Since the middle of October 2012, Deutsche Post DHL has intended to sell the domestic express business in Romania. The transaction is expected to be completed in the first quarter of 2013. The assets and liabilities of the company concerned were reclassified as held for sale in accordance with IFRS 5. The most recent appraisal of the assets prior to reclassification did not result in any impairment.

Cargus International S.R.L. – domestic business

€m	31 Dec. 2012
ASSETS	
Non-current assets	2
Current assets	3
Cash and cash equivalents	2
Total ASSETS	**7**
EQUITY AND LIABILITIES	
Non-current liabilities and provisions	0
Current liabilities and provisions	4
Total EQUITY AND LIABILITIES	**4**

DHL FASHION (FRANCE) SAS

Deutsche Post DHL plans to sell the fashion logistics business of DHL Fashion (France) SAS, France. The assets and liabilities of the business concerned were reclassified as held for sale in accordance with IFRS 5. The most recent appraisal prior to reclassification resulted in an impairment loss of €1 million, which is reported in depreciation, amortisation and impairment losses.

DHL Fashion (France) SAS – fashion logistics business

€m	31 Dec. 2012
ASSETS	
Non-current assets	0
Current assets	13
Cash and cash equivalents	0
Total ASSETS	**13**
EQUITY AND LIABILITIES	
Non-current liabilities and provisions	3
Current liabilities and provisions	15
Total EQUITY AND LIABILITIES	**18**

36 Issued capital

36.1 Share capital

KfW Bankengruppe (KfW) placed a 5% package of Deutsche Post AG shares on the market at the beginning of September 2012; Note 52.1. This placement reduced the interest in Deutsche Post AG's share capital held by KfW from 30.5% to 25.5%; the remaining 74.5% of the shares are in free float. KfW holds the shares in trust for the federal government.

Share ownership as at 31 December

number of shares	2011	2012
KfW	368,277,358	308,277,358
Free float	840,738,516	900,738,516
Share capital as at 31 December	**1,209,015,874**	**1,209,015,874**

36.2 Issued capital and purchase of treasury shares

The issued capital amounts to €1,209 million. It is composed of 1,209,015,874 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share and is fully paid up.

Changes in issued capital

€	2011	2012
As at 1 January	1,209,015,874	1,209,015,874
Treasury shares acquired	–1,676,178	–1,770,503
Treasury shares issued	1,676,178	1,770,503
As at 31 December	**1,209,015,874**	**1,209,015,874**

Deutsche Post AG acquired 1.8 million shares at a total price of €26 million, including transaction costs, in a number of transactions in order to settle entitlements due under the 2011 tranche of the bonus programme for executives (Share Matching Scheme). In addition, 2,082 shares were acquired and issued to persons who have since left the Group. Consequently, issued capital was reduced by the notional value of the shares purchased. The average purchase price per share was €14.42. The issued capital increased again when the shares were issued to the executives.

The notional value of the treasury shares is deducted from issued capital, and the difference between the notional value and the reported value of the treasury shares is deducted from retained earnings.

Changes in treasury shares are presented in the statement of changes in equity.

Authorised/contingent capital as at 31 December 2012

	Amount €m	Purpose
Authorised Capital 2009	240	Increase in share capital against cash/non-cash contributions (until 20 April 2014)
Contingent Capital 2011	75	Issue of option/conversion rights (24 May 2016)

Authorised Capital 2009

As resolved by the Annual General Meeting on 21 April 2009, the Board of Management is authorised, subject to the approval of the Supervisory Board, to issue up to 240 million new, no-par value registered shares until 20 April 2014 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. Shareholders are generally entitled to a subscription right. To date, the Board of Management has not made use of such authorisation.

Contingent Capital 2011

In its resolution dated 25 May 2011, the Annual General Meeting authorised the Board of Management, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1 billion, on one or more occasions until 24 May 2016, thereby granting options or conversion rights for up to 75 million shares having a total share in the share capital not to exceed €75 million. The share capital is contingently increased by up to €75 million.

Based on this authorisation, Deutsche Post AG issued a €1 billion convertible bond on 6 December 2012, allowing holders to convert the bond into up to 48 million Deutsche Post AG shares. Full use was made of the authorisation by issuing the bond.

36.3 Authorisation to acquire treasury shares

By way of a resolution adopted by the Annual General Meeting on 28 April 2010, the company is authorised to acquire treasury shares in the period to 27 April 2015 of up to 10% of the share capital existing when the resolution was adopted. The authorisation permits the Board of Management to exercise it for every purpose permitted by law, and in particular to pursue the goals mentioned in the resolution by the Annual General Meeting.

At the Annual General Meeting on 9 May 2012, the authorisation to acquire treasury shares was supplemented. In future, treasury shares acquired on the basis of the authorisation, with shareholders' pre-emptive rights disapplied, may also be used for the purposes of listing on a stock exchange outside Germany.

In addition, the Board of Management is authorised to acquire treasury shares using derivatives.

As on 31 December 2011, Deutsche Post AG did not hold any treasury shares on 31 December 2012.

36.4 Disclosures on corporate capital

The equity ratio was 35.6% in financial year 2012 (previous year: 29.2%). 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. In the previous year, the informative value of this key figure was limited due to the company's net liquidity and was therefore not disclosed.

Corporate capital

€m	2012
Total financial liabilities	4,776
Less cash and cash equivalents	2,400
Less current financial assets	252
Less long-term deposits	57
Less non-current derivative financial instruments	115
Net debt	**1,952**
Plus total equity	12,164
Total capital	**14,116**
Net gearing ratio (%)	13.8

37 Other reserves

€m	2011	2012
Capital reserves	2,170	2,254
IAS 39 revaluation reserve	90	–1
IAS 39 hedging reserve	–34	–7
IFRS 3 revaluation reserve	5	3
Currency translation reserve	–517	–463
Other reserves	**1,714**	**1,786**

37.1 Capital reserves

€m	2011	2012
Capital reserves as at 1 January	2,158	2,170
Share Matching Scheme		
Addition/issue of rights under Share Matching Scheme		
2009 tranche	3	2
2010 tranche	17	4
2011 tranche	13	18
2012 tranche	0	10
Exercise of rights under Share Matching Scheme		
2010 tranche	–21	0
2011 tranche	0	–24
	12	10
Conversion right	0	74
Capital reserves as at 31 December	**2,170**	**2,254**

An amount of €34 million (31 December 2011: €33 million) was transferred to the capital reserves in the period up to 31 December 2012 for the various tranches of the Share Matching Scheme.

The exercise of the rights to shares under the 2011 tranche in April 2012 reduced the capital reserves by €24 million (previous year: €21 million for the 2010 tranche) due to the issuance of treasury shares in this amount to the executives.

On issue of the convertible bond on Deutsche Post AG shares, the conversion right was recognised in capital reserves; Note 3.

37.2 IAS 39 revaluation reserve

The revaluation reserve comprises gains and losses from changes in the fair value of available-for-sale financial assets that have been recognised in other comprehensive income. This reserve is reversed to profit or loss either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls significantly or permanently below their cost.

€m	2011	2012
As at 1 January	87	93
Currency translation differences	1	0
Unrealised gains/losses	–8	–12
Share of associates	13	–81
Realised gains/losses	0	0
Revaluation reserve as at 31 December before tax	**93**	**0**
Deferred taxes	–3	–1
Revaluation reserve as at 31 December after tax	**90**	**–1**

37.3 IAS 39 hedging reserve

The hedging reserve is adjusted by the effective portion of a cash flow hedge. The hedging reserve is released to profit or loss when the hedged item is settled.

€m	2011	2012
As at 1 January	–36	–39
Additions	–4	–29
Disposals in balance sheet (basis adjustment)	0	6
Disposals in income statement	1	59
Hedging reserve as at 31 December before tax	**–39**	**–3**
Deferred taxes	5	–4
Hedging reserve as at 31 December after tax	**–34**	**–7**

The change in the hedging reserve is mainly the result of the recognition of previously unrealised gains and losses from hedging future operating currency transactions. In the financial year, unrealised losses totalling €60 million and unrealised gains totalling €1 million from the hedging reserve were recognised in operating profit under other operating expenses (previous year: unrealised losses of €10 million and unrealised gains of €8 million were recognised in operating profit). There were no disposals in net finance costs in financial year 2012, as in the previous year. Furthermore, there were adjusting entries (basis adjustments) in the amount of €6 million (previous year: €0 million) for hedging transactions related to the acquisition of non-current non-financial assets. Deferred taxes have been recognised in respect of the hedging reserve.

37.4 IFRS 3 revaluation reserve

€m	2011	2012
As at 1 January	6	5
Changes recognised in other comprehensive income	–1	–2
IFRS 3 revaluation reserve as at 31 December	**5**	**3**

The IFRS 3 revaluation reserve includes the hidden reserves of DHL Logistics Co. Ltd., China, from purchase price allocation. These are attributable to the customer relationships contained in the 50% interest previously held and to adjustments to deferred taxes.

37.5 Currency translation reserve

The currency translation reserve includes the translation gains and losses from the consolidation of the subsidiaries reporting in foreign currency.

€m	2011	2012
As at 1 January	–682	–517
Transactions with non-controlling interests	0	–2
Comprehensive income		
Changes from unrealised gains and losses	191	9
Changes from realised gains and losses	–26	47
Currency translation reserve as at 31 December	**–517**	**–463**

38 Retained earnings

As well as the undistributed consolidated profits generated in prior periods, retained earnings also contain the effects from transactions with non-controlling interests. Changes in the reserves during the financial year are also presented in the statement of changes in equity.

€m	2011	2012
As at 1 January	7,767	8,086
Dividend payment	–786	–846
Consolidated net profit for the period	1,163	1,658
Transactions with non-controlling interests	–59	58
Miscellaneous other changes	1	0
Retained earnings as at 31 December	**8,086**	**8,956**

The transactions with non-controlling interests primarily include the sale in November 2012 of 6.03% of the shares in Blue Dart Express Limited, India, in which the previous interest was 81.03%, and the acquisition of the remaining 24% interest in DHL Logistics Private Limited (formerly DHL Lemuir Logistics Private Limited), India. The purchase price was paid and the shares were transferred at the beginning of April 2012.

Retained earnings include the reserve for treasury shares, which changed as follows:

€m	2011	2012
As at 1 January	–1	–1
Treasury shares acquired	–20	–24
Treasury shares issued	20	22
Reserve for treasury shares as at 31 December	**–1**	**–3**

Changes in treasury shares are presented in the statement of changes in equity.

39 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2012 amounted to €11,951 million (previous year: €11,009 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €1,314 million reported in Deutsche Post AG's annual financial statements in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code). The amount of €468 million remaining after deduction of the planned total dividend of €846 million (which corresponds to €0.70 per share) will be carried forward.

	Total dividend €m	Dividend per share €
Dividend distributed in financial year 2012 for the year 2011	846	0.70
Dividend distributed in financial year 2011 for the year 2010	786	0.65

The dividend is tax-exempt for shareholders resident in Germany. No capital gains tax (investment income tax) will be withheld on the distribution.

40 Non-controlling interests

This balance sheet item includes adjustments for the interests of non-Group shareholders in the consolidated equity from acquisition accounting, as well as their interests in profit or loss. The interests relate primarily to the following companies:

€m	2011	2012
DHL Sinotrans International Air Courier Ltd., China	86	107
Blue Dart Express Limited, India	19	29
Tradeteam Limited, UK	12	13
DHL Logistics Private Limited, India	17	0
Other companies	56	64
Non-controlling interests	**190**	**213**

The remaining 24% interest in DHL Logistics Private Limited (formerly DHL Lemuir Logistics Private Limited), India, was acquired at the beginning of April 2012.

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	2011	2012
Balance at 1 January	–3	–5
Transactions with non-controlling interests	0	2
Comprehensive income		
Changes from unrealised gains and losses	–2	–2
Changes from realised gains and losses	0	0
Currency translation reserve as at 31 December	**–5**	**–5**

41 Provisions for pensions and similar obligations

The information below on pension obligations is generally broken down into the following areas: Germany, UK and Other.

41.1 Provisions for pensions and similar obligations by area

€m	Germany	UK	Other	Total
31 December 2012				
Provisions for pensions and similar obligations	2,105	117	220	2,442
Pension assets	0	325	209	534
Net pension provisions	**2,105**	**–208**	**11**	**1,908**
31 December 2011				
Provisions for pensions and similar obligations	4,096	140	209	4,445
Pension assets	0	266	187	453
Net pension provisions	**4,096**	**–126**	**22**	**3,992**

41.2 Actuarial assumptions

The majority of the Group's defined benefit obligations relate to plans in Germany and the UK. In addition, significant pension plans are provided in other euro zone countries, Switzerland and the USA. The actuarial measurement of the main benefit plans was based on the following assumptions:

%	Germany	UK	Other euro zone	Switzerland	USA
31 December 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	–
31 December 2011					
Discount rate	4.75	4.75	4.75	2.50	4.75
Rate of future salary increase	2.50	3.49	2.15	2.75	–
Future inflation rate	2.00	3.00	2.00	1.50	–

For the German Group companies, life expectancy was calculated using the *Richttafeln 2005 G* mortality tables published by Klaus Heubeck. Life expectancy for the British pension plans was based on the mortality rates used for the last funding valuation. These are based on plan-specific mortality analyses and include an allowance for an expected increase in future life expectancy. Other countries used their own mortality tables.

41.3 Computation of expense for the period

The following average expected return on plan assets was used to compute the expense for the period:

%	Germany	UK	Other euro zone	Switzerland	USA
1 January 2012					
Average expected return on plan assets	3.72	5.81	5.65	4.00	6.50
1 January 2011					
Average expected return on plan assets	4.15	6.25	5.69	4.25	7.00

The average expected return on plan assets was determined by reference to long-term bond yields (government and corporate). In this process, suitable risk premiums were applied on the basis of historical market returns and current market expectations taking plan asset structures into account.

41.4 Reconciliation of the present value of the defined benefit obligation, the fair value of plan assets and the pension provisions

€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**
2011				
Present value of defined benefit obligation at 31 December for wholly or partly funded benefits	4,097	3,943	1,640	**9,680**
Present value of defined benefit obligation at 31 December for unfunded benefits	3,377	8	192	**3,577**
Present value of total defined benefit obligation at 31 December	7,474	3,951	1,832	**13,257**
Fair value of plan assets at 31 December	−2,106	−3,714	−1,549	**−7,369**
Unrecognised gains (+)/losses (–)	−1,272	−364	−262	**−1,898**
Unrecognised past service cost	0	0	0	**0**
Asset adjustment for asset ceiling	0	1	1	**2**
Net pension provisions at 31 December	**4,096**	**−126**	**22**	**3,992**
Pension assets at 31 December	0	266	187	**453**
Provisions for pensions and similar obligations at 31 December	**4,096**	**140**	**209**	**4,445**

41.5 Changes in the present value of the total defined benefit obligation

€m	Germany	UK	Other	Total
2012				
Present value of total defined benefit obligation at 1 January	7,474	3,951	1,832	**13,257**
Current service cost, excluding employee contributions	88	32	36	**156**
Employee contributions	9	13	15	**37**
Interest cost	357	191	74	**622**
Benefit payments	−480	−179	−80	**−739**
Past service cost	0	0	1	**1**
Curtailments	0	0	−1	**−1**
Settlements	0	0	0	**0**
Transfers	1	0	4	**5**
Acquisitions/divestitures	2	0	0	**2**
Actuarial gains (–)/losses (+)	1,157	12	145	**1,314**
Currency translation effects	0	96	−2	**94**
Present value of total defined benefit obligation at 31 December	**8,608**	**4,116**	**2,024**	**14,748**
2011				
Present value of total defined benefit obligation at 1 January	7,275	3,302	1,772	**12,349**
Current service cost, excluding employee contributions	79	28	35	**142**
Employee contributions	9	14	15	**38**
Interest cost	356	177	76	**609**
Benefit payments	−481	−168	−83	**−732**
Past service cost	13	0	−1	**12**
Curtailments	0	0	−7	**−7**
Settlements	0	−9	−11	**−20**
Transfers	0	2	0	**2**
Acquisitions/divestitures	0	3	0	**3**
Actuarial gains (–)/losses (+)	223	469	15	**707**
Currency translation effects	0	133	21	**154**
Present value of total defined benefit obligation at 31 December	**7,474**	**3,951**	**1,832**	**13,257**

41.6 Changes in the fair value of plan assets

€m	Germany	UK	Other	Total
2012				
Fair value of plan assets at 1 January	2,106	3,714	1,549	**7,369**
Employer contributions	2,122	93	43	**2,258**
Employee contributions	0	13	15	**28**
Expected return on plan assets	79	215	81	**375**
Gains (+)/losses (–) on plan assets	22	–11	78	**89**
Benefit payments	–196	–178	–71	**–445**
Transfers	–4	0	3	**–1**
Acquisitions	0	0	0	**0**
Settlements	0	0	0	**0**
Currency translation effects	0	90	–5	**85**
Fair value of plan assets at 31 December	**4,129**	**3,936**	**1,693**	**9,758**
2011				
Fair value of plan assets at 1 January	2,122	3,378	1,519	**7,019**
Employer contributions	160	85	39	**284**
Employee contributions	0	14	15	**29**
Expected return on plan assets	89	200	80	**369**
Gains (+)/losses (–) on plan assets	–65	86	–38	**–17**
Benefit payments	–202	–167	–74	**–443**
Transfers	2	2	0	**4**
Acquisitions	0	4	0	**4**
Settlements	0	–9	–11	**–20**
Currency translation effects	0	121	19	**140**
Fair value of plan assets at 31 December	**2,106**	**3,714**	**1,549**	**7,369**

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.

41.7 Funded status

€m	2008 Total	2009 Total	2010 Total	2011 Total	2012 Total
Present value of defined benefit obligations at 31 December	12,246	11,664	12,349	13,257	14,748
Fair value of plan assets at 31 December	–6,235	–6,472	–7,019	–7,369	–9,758
Funded status[1]	**6,011**	**5,192**	**5,330**	**5,888**	**4,990**

[1] The funded status is recognised until financial year 2008 with the amounts of Deutsche Postbank Group included.

41.8 Gains and losses

€m	2008 Total	2009 Total	2010 Total	2011 Total	2012 Total
Actual return on plan assets	–632	509	475	352	464
Expected return on plan assets	415	335	374	369	375
Experience gains (+)/losses (–) on plan assets[1]	**–1,047**	**174**	**101**	**–17**	**89**

[1] The experience gains and losses on plan assets are recognised until financial year 2008 with the amounts of the Deutsche Postbank Group included.

€m	2008 Total	2009 Total	2010 Total	2011 Total	2012 Total
Experience gains (+)/losses (–) on defined benefit obligations	11	61	50	–29	121
Gains (+)/losses (–) on defined benefit obligations arising from changes in assumptions	635	–561	–455	–678	–1,435
Total actuarial gains (+)/losses (–) on defined benefit obligations[1]	**646**	**–500**	**–405**	**–707**	**–1,314**

[1] Total actuarial gains and losses on defined benefit obligations are recognised until financial year 2008 with the amounts of the Deutsche Postbank Group included.

41.9 Changes in net pension provisions

€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**
2011				
Net pension provisions at 1 January	4,150	–39	27	**4,138**
Pension expense	377	3	46	**426**
Benefit payments	–279	–1	–9	**–289**
Employer contributions	–160	–85	–39	**–284**
Employee contributions	9	0	0	**9**
Acquisitions/divestitures	0	–1	0	**–1**
Transfers	–1	0	0	**–1**
Currency translation effects	0	–3	–3	**–6**
Net pension provisions at 31 December	**4,096**	**–126**	**22**	**3,992**

Payments amounting to €479 million are expected with regard to net pension provisions in 2013. Of this amount, €228 million is attributable to the Group's expected direct pension payments and €251 million to expected employer contributions to pension funds.

41.10 Pension expense

€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**
2011				
Current service cost, excluding employee contributions	79	28	35	**142**
Interest cost	356	177	76	**609**
Expected return on plan assets	–89	–200	–80	**–369**
Recognised past service cost	13	0	–1	**12**
Amortisation of unrealised gains (–)/losses (+)	18	–2	24	**40**
Effects of curtailments	0	0	–6	**–6**
Effects of settlements	0	0	3	**3**
Effects of asset ceiling	0	0	–5	**–5**
Pension expense	**377**	**3**	**46**	**426**

€204 million (previous year: €186 million) of the entire pension expense was included in staff costs in 2012, and €247 million (previous year: €240 million) was included in net other finance costs.

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**

[1] Miscellaneous provisions, other employee benefits and tax provisions were restructured. Employee-related components were reclassified from miscellaneous provisions to other employee benefits. The tax provisions previously included in miscellaneous provisions are shown separately. The prior-year figures were adjusted accordingly.

42.1 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Postage stamps	Tax provisions	Miscellaneous provisions	Total
As at 1 January 2012[1]	1,066	931	588	450	384	889	**4,308**
Changes in consolidated group	0	–1	0	0	–1	–2	**–4**
Utilisation	–590	–218	–68	–450	–282	–384	**–1,992**
Currency translation differences	–5	–9	1	0	–1	–1	**–15**
Reversal	–30	–180	–30	0	–32	–124	**–396**
Unwinding of discount/changes in discount rate	37	18	24	0	0	24	**103**
Reclassification	19	0	0	0	–4	–14	**1**
Additions	612	140	76	450	63	289	**1,630**
As at 31 December 2012	**1,109**	**681**	**591**	**450**	**127**	**677**	**3,635**

[1] Miscellaneous provisions, other employee benefits and tax provisions were restructured. Employee-related components were reclassified from miscellaneous provisions to other employee benefits. The tax provisions previously included in miscellaneous provisions are shown separately. The prior-year figures were adjusted accordingly.

The provision for other employee benefits primarily covers workforce reduction expenses (severance payments, transitional benefits, partial retirement etc.).

The restructuring provisions comprise all expenses resulting from the restructuring measures within the US express business as well as in other areas of the Group. These measures relate primarily to termination benefit obligations to employees (partial retirement programmes, transitional benefits) and expenses from the closure of terminals, for example.

Technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR reserves; further details can be found in Note 6.

The provision for postage stamps covers outstanding obligations to customers for letter and parcel deliveries from postage stamps sold but still unused by customers, and is based on studies by market research companies. It is measured at the nominal value of the stamps issued.

Of the tax provisions, €28 million (previous year: €264 million) relates to VAT, €6 million (previous year: €4 million) to customs and duties, and €93 million (previous year: €116 million) to other tax provisions.

42.2 Miscellaneous provisions

€m	2011	2012
Litigation costs	134	115
Risks from business activities	137	104
Aircraft maintenance	35	43
Miscellaneous other provisions	583	415
Miscellaneous provisions[1]	**889**	**677**

[1] Miscellaneous provisions were restructured. Employee-related components were reclassified from miscellaneous provisions to other employee benefits. The tax provisions previously included in miscellaneous provisions are shown separately. The prior-year figures were adjusted accordingly.

Miscellaneous other provisions include a large number of individual items.

42.3 Maturity structure

The maturity structure of the provisions recognised in financial year 2012 is as follows:

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years	Total
2012							
Other employee benefits	253	291	168	119	81	197	**1,109**
Restructuring provisions	298	260	16	13	13	81	**681**
Technical reserves (insurance)	194	168	78	48	32	71	**591**
Postage stamps	450	0	0	0	0	0	**450**
Tax provisions	127	0	0	0	0	0	**127**
Miscellaneous provisions	341	110	63	30	20	113	**677**
	1,663	**829**	**325**	**210**	**146**	**462**	**3,635**

43 Financial liabilities

€m	Non-current		Current		Total	
	2011	2012	2011	2012	2011	2012
Bonds	963	4,109	696	0	1,659	4,109
Due to banks	6	2	157	135	163	137
Finance lease liabilities	148	123	27	26	175	149
Liabilities to Group companies	65	65	37	28	102	93
Financial liabilities at fair value through profit or loss	11	8	126	109	137	117
Other financial liabilities	173	106	4,601	105	4,774	211
Financial liabilities	**1,366**	**4,413**	**5,644**	**403**	**7,010**	**4,816**

43.1 Bonds

The following table contains further details on the company's most significant bonds. The bonds issued by Deutsche Post Finance B.V. are fully guaranteed by Deutsche Post AG.

Major bonds

				2011		2012	
	Nominal coupon	Issue volume	Issuer	Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2002/2012	5.125%	€679 million	Deutsche Post Finance B.V.	696	698	0	0
Bond 2003/2014	4.875%	€926 million	Deutsche Post Finance B.V.	948	984	942	969
Bond 2012/2017	1.875%	€750 million	Deutsche Post Finance B.V.	–	–	744	775
Bond 2012/2022	2.950%	€500 million	Deutsche Post Finance B.V.	–	–	496	525
Bond 2012/2020	1.875%	€300 million	Deutsche Post AG	–	–	296	302
Bond 2012/2024	2.875%	€700 million	Deutsche Post AG	–	–	696	711
Convertible bond 2012/2019[1]	0.600%	€1 billion	Deutsche Post AG	–	–	920	929

[1] This relates to the debt component of the convertible bond; the equity component is recognised in capital reserves. The fair value of the listed convertible bond was €1,049 million at the balance sheet date.

Two new bonds with an aggregate principal amount of €1.25 billion were placed on the market in June 2012 under the Debt Issuance Programme (DIP). The bonds mature on 27 June 2017 and 2022, respectively.

Two more conventional bonds were issued on 11 December 2012. The two bonds mature on 11 December 2020 and 2024, respectively. The bonds were recognised at fair value, including transaction costs. In subsequent years the financial liabilities are required to be measured at amortised cost. Adjustments are made using the effective interest method.

The €1 billion convertible bond was issued on 6 December 2012. The conversion right allows holders to convert the bond into a pre-determined number of Deutsche Post AG shares. The conversion right may be exercised between 16 January 2013 and 21 November 2019. On issue, the conversion price was €20.74. In addition, Deutsche Post AG was granted a call option allowing it to repay the bond early at face value plus accrued interest. For contractual reasons, the convertible bond has to be split into a debt component and an equity component. The value of the debt component calculated under IAS 32.31 on the issue date amounted to €920 million, including transaction costs and the call option granted. In subsequent years, interest will be added to the carrying amount of the bond up to the issue amount using the effective interest method (unwinding of discount), and recognised in profit or loss.

43.2 Amounts due to banks

The reported liabilities due to banks are fully guaranteed by Deutsche Post AG.

€m	2011	2012
Amounts due to banks	163	137

The liabilities mainly comprise current overdraft facilities due to various banks.

43.3 Finance lease liabilities

Finance lease liabilities mainly relate to the following items:

	Leasing partner	Interest rate	End of term	Asset	2011 Carrying amount €m	2012 Carrying amount €m
DHL Express (US) Inc., USA	Wachovia Financial Services; Wells Fargo	6.74%	2019/2022	Sorting system software	36	34
SCM Supply Chain Management Inc., Canada	Bank of Nova Scotia	variable	2012/2013	Warehouse, office equipment	22	12
DHL Express (Austria) GmbH, Austria	Raiffeisen Impuls Immobilien GmbH	3.62%	2019	Real estate	10	11
Deutsche Post AG, Germany	T-Systems International GmbH, Germany	6.5%	2015	IT equipment	10	7
Deutsche Post Immobilien GmbH, Germany	Lorac Investment Management Sarl	6.0%	2016	Real estate	9	9

The leased assets are recognised in property, plant and equipment at carrying amounts of €280 million (previous year: €327 million). The difference between the carrying amounts of the assets and the liabilities results from longer useful lives of the assets compared with a shorter repayment period for the lease instalments and unscheduled repayments of lease obligations. The notional amount of the minimum lease payments totals €165 million (previous year: €198 million).

Maturity structure

€m	Present value (finance lease liabilities)		Minimum lease payments (notional amount)	
	2011	2012	2011	2012
Less than 1 year	27	26	35	33
More than 1 year to 5 years	70	56	77	62
More than 5 years	78	67	86	70
Total	**175**	**149**	**198**	**165**

43.4 Financial liabilities at fair value through profit or loss

The amounts reported under this item relate to the negative fair values of derivative financial instruments.

€m	2011	2012
Financial liabilities at fair value through profit or loss	137	117

43.5 Other financial liabilities

€m		2011	2012
Mandatory exchangeable bond (unwinding of discount)	Deutsche Post AG	2,926	0
Other liabilities related to the sale of Deutsche Postbank shares	Deutsche Post AG	1,418	0
Miscellaneous financial liabilities	Other Group companies	430	211
Other financial liabilities		**4,774**	**211**

The reduction in other financial liabilities is attributable to the completion of the sale of Deutsche Postbank shares. The liabilities arising from the contract were recognised under other financial liabilities in the previous year. These consisted of a mandatory exchangeable bond on 60 million Postbank shares, cash collateral for the acquisition of another 26 million Postbank shares and payments on settled hedging transactions entered into to hedge Deutsche Bank shares; Note 3.

44 Other liabilities

€m	Non-current		Current		Total	
	2011	2012	2011	2012	2011	2012
Other liabilities	347	276	4,106	4,004	4,453	4,280

44.1 Breakdown of other liabilities

€m	2011	2012
Tax liabilities	954	884
Incentive bonuses	592	577
Compensated absences	401	375
Deferred income, of which non-current: 71 (previous year: 76)	336	351
Wages, salaries, severance payments	292	287
Payables to employees and members of executive bodies	227	177
Liabilities from the sale of residential building loans, of which non-current: 149 (previous year: 221)	223	153
Debtors with credit balances	124	150
Social security liabilities	152	143
Overtime claims	102	110
COD liabilities	76	70
Other compensated absences	63	49
Insurance liabilities	9	36
Liabilities from cheques issued	21	35
Accrued rentals	27	34
Liabilities from loss compensation	17	15
Accrued insurance premiums for damages and similar liabilities	16	12
Miscellaneous other liabilities, of which non-current: 56 (previous year: 50)	821	822
	4,453	4,280

Of the tax liabilities, €502 million (previous year: €523 million) relates to VAT, €227 million (previous year: €280 million) to customs and duties, and €155 million (previous year: €151 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.

44.2 Maturity structure

€m	2011	2012
Less than 1 year	4,106	4,004
More than 1 year to 2 years	38	46
More than 2 years to 3 years	34	28
More than 3 years to 4 years	13	10
More than 4 years to 5 years	11	7
More than 5 years	251	185
	4,453	4,280

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.

45 Trade payables

Trade payables also include liabilities to Group companies in the amount of €42 million (previous year: €33 million).

€m	2011	2012
Trade payables	6,168	5,991

€832 million of the trade payables (previous year: €955 million) is attributable to Deutsche Post AG. Trade payables primarily have a maturity of less than one year. The reported carrying amount of trade payables corresponds to their fair value.

CASH FLOW DISCLOSURES

46 Cash flow disclosures

The cash flow statement is prepared in accordance with IAS 7 (Statement of Cash Flows) and discloses the cash flows in order to present the source and application of cash and cash equivalents. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents are composed of cash, cheques and bank balances with a maturity of not more than three months, and correspond to the cash and cash equivalents reported on the balance sheet. The effects of currency translation and changes in the consolidated group are adjusted when calculating cash and cash equivalents.

46.1 Net cash used in operating activities

Cash flows from operating activities are calculated by adjusting consolidated net profit/loss for tax expenses, net financial income/net finance costs and non-cash factors, as well as taxes paid, changes in provisions and in other non-current assets and liabilities (net cash from operating activities before changes in working capital). Adjustments for changes in working capital (excluding financial liabilities) result in net cash from or used in operating activities.

Net cash used in operating activities amounted to €203 million in financial year 2012. By contrast, a net cash inflow of €2,371 million was generated in the previous year. This difference is largely attributable to the utilisation of provisions: the funds raised on the capital market at the end of the year were used to further fund pension obligations and led to a corresponding change in pension provisions. Provisions for the additional VAT payment were also utilised.

The depreciation, amortisation and impairment losses contained in EBIT are non-cash effects and are therefore adjusted. They increased from €1,274 million to €1,339 million due to higher investments in the past. The same applies to non-cash income and expenses, which increased EBIT but did not affect cash flows. They rose from €7 million to €97 million and mainly relate to accruals that were no longer required and were released. The gains on the disposal of non-current assets of €74 million are not attributable to operating activities. They have therefore been adjusted in the net income from the disposal of non-current assets and are presented instead in the cash flows from investing activities.

The higher working capital led to a cash outflow of €422 million (previous year: cash inflow of €137 million). The change in liabilities and other items in particular made a significant contribution to this development.

Non-cash income and expense

€m	2011	2012
Expense from remeasurement of assets	91	94
Income from remeasurement of liabilities	–108	–203
Income from disposal of assets	–8	–2
Staff costs relating to Share Matching Scheme	20	19
Miscellaneous	–2	–5
Non-cash income and expense	**–7**	**–97**

46.2 Net cash used in investing activities

Cash flows from investing activities mainly result from cash received from disposals of non-current assets (divestitures) and cash paid for investments in non-current assets. Interest and dividends received from investing activities as well as cash flows from changes in current financial assets are also included.

Net cash used in investing activities amounted to €1,697 million in the year under review (previous year: €1,129 million). Divestitures of non-current assets, especially property, plant and equipment and intangible assets, led to a cash inflow of €299 million, slightly above the prior-year figure of €285 million. The sale of land and buildings that were no longer required was the main contributor to this item. Investments in non-current assets rose from €1,880 million to €2,032 million.

Whereas cash paid to acquire property, plant and equipment declined slightly by €77 million to €1,639 million, cash paid for other non-current financial assets rose by €256 million to €336 million in the year under review. The recognition of the demand for repayment of state aid in this balance sheet item reduced cash flow from investing activities by €298 million. The change in current financial assets led to a cash outflow of €10 million. This contrasts with the cash inflow of €394 million in the previous year, which was largely due to the sale of money market funds in the amount of €403 million.

The following assets were acquired and liabilities assumed as a result of company acquisitions; see also Note 2:

€m	2011	2012
Non-current assets	92	5
Current assets (excluding cash and cash equivalents)	79	19
Non-current provisions and liabilities	22	2
Current provisions and liabilities	142	8

The following table shows the calculation of free cash flow:

Calculation of free cash flow

€m	2011	2012
Net cash from/used in operating activities	**2,371**	**–203**
Sale of property, plant and equipment and intangible assets	211	225
Acquisition of property, plant and equipment and intangible assets	–1,716	–1,639
Cash outflow arising from change in property, plant and equipment and intangible assets	**–1,505**	**–1,414**
Disposals of subsidiaries and other business units	58	39
Acquisition of subsidiaries and other business units	–84	–57
Cash outflow arising from acquisitions/divestitures	**–26**	**–18**
Interest received	72	46
Interest paid	–163	–296
Net interest paid	**–91**	**–250**
Free cash flow	**749**	**–1,885**

Free cash flow is considered to be an indicator of how much cash is available to the company for dividend payments or the repayment of debt. Free cash flow declined from €749 million in the previous year to €–1,885 million in the year under review. This is primarily due to the negative cash flow from operating activities, which was exceptionally and significantly reduced by the funding of pension obligations mentioned above.

46.3 Net cash from financing activities

Financing activities led to a cash inflow of €1,199 million in the year under review, compared with a cash outflow of €1,547 million in the previous year. In particular, the conventional corporate bond and convertible bond issues resulted in proceeds of €3,176 million from the issuance of non-current financial liabilities. In addition to the continued funding of pension obligations, part of the funds raised was used to repay a bond that fell due in October 2012. This made a significant contribution to the cash outflow from repayments of non-current liabilities, in the amount of €773 million.

The dividend payment to the shareholders of Deutsche Post AG, which rose once again, by €60 million to €846 million, was the largest payment in financing activities. Proceeds from issuing shares or other equity instruments amounted to €74 million. The equity component of the convertible bond is recognised in this item. The €133 million rise in interest payments to €296 million is due in particular to the interest payments related to the additional VAT payment required by the tax authorities.

46.4 Cash and cash equivalents

The cash inflows and outflows described above produced cash and cash equivalents of €2,400 million; Note 34. This represents a year-on-year reduction of €723 million.

OTHER DISCLOSURES

47 Risks and financial instruments of the Group

47.1 Risk management

As a result of its operating activities, the Group is exposed to financial risks that may arise from changes in exchange rates, commodity prices and interest rates. Deutsche Post DHL manages these risks centrally through the use of non-derivative and derivative financial instruments. Derivatives are used exclusively to mitigate non-derivative financial risks, and fluctuations in their fair value should not be assessed separately from the underlying transaction.

The Group's internal risk guidelines govern the universe of actions, responsibilities and necessary controls regarding the use of derivatives. Financial transactions are recorded, assessed and processed using proven risk management software, which also regularly documents the effectiveness of hedging relationships. To limit counterparty risk from financial transactions, the Group may only enter into this type of contract with prime-rated banks. The conditions for the counterparty limits individually assigned to the banks are reviewed on a daily basis. The Group's Board of Management is informed internally at regular intervals about existing financial risks and the hedging instruments deployed to mitigate them. Financial instruments are accounted for and measured in accordance with IAS 39.

Liquidity management

The ultimate objective of liquidity management is to secure the solvency of Deutsche Post DHL and all Group companies. Consequently, liquidity in the Group is centralised as much as possible in cash pools and managed in the Corporate Center.

The centrally available liquidity reserves (funding availability), consisting of central short-term financial investments and committed credit lines, are the key control parameter. The target is to have at least €2 billion available in a central credit line.

The Group had central liquidity reserves of €2.7 billion (previous year: €3.8 billion) as at 31 December 2012, consisting of central financial investments amounting to €0.7 billion plus a syndicated credit line of €2 billion.

The maturity structure of non-derivative financial liabilities within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure: remaining maturities

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As at 31 December 2012						
Non-current financial liabilities	106	1,031	61	61	811	2,758
Other non-current liabilities	0	4	4	4	3	137
Non-current liabilities	**106**	**1,035**	**65**	**65**	**814**	**2,895**
Current financial liabilities	297	0	0	0	0	0
Trade payables	5,991	0	0	0	0	0
Other current liabilities	462	0	0	0	0	0
Current liabilities	**6,750**	**0**	**0**	**0**	**0**	**0**
As at 31 December 2011						
Non-current financial liabilities	71	184	995	21	34	198
Other non-current liabilities	0	4	4	3	3	207
Non-current liabilities	**71**	**188**	**999**	**24**	**37**	**405**
Current financial liabilities	5,582	0	0	0	0	0
Trade payables	6,168	0	0	0	0	0
Other current liabilities	317	0	0	0	0	0
Current liabilities	**12,067**	**0**	**0**	**0**	**0**	**0**

On 25 June 2012, Deutsche Post Finance B.V. placed two fixed-coupon bonds on the capital market: one with a principal amount of €750 million and a maturity of five years, and one with a principal amount of €500 million and a maturity of ten years. Part of the issue proceeds was used to repay the Deutsche Post Finance B.V. bond amounting to €679 million that fell due in October 2012. The bonds are reported in non-current financial liabilities.

Deutsche Post AG borrowed €2 billion on the capital market in December 2012 to continue funding its pension obligations. In addition to two straight bonds worth €300 million and €700 million, respectively (maturity: eight years and twelve years, respectively), a €1 billion convertible bond with a coupon of 0.60% was issued at a price of 100% in December; Note 43. €1,250 million of the issue proceeds was invested in money market funds and, in addition to a further €736 million in cash, was transferred to a Contractual Trust Arrangement (CTA) at the end of December. The newly generated plan assets, Note 41, serve solely to meet the pension commitments of Deutsche Post AG.

The mandatory exchangeable bond (zero bond) of €2,568 million plus interest that was issued in February 2009 as part of the sale of Deutsche Postbank AG shares and fully subscribed by Deutsche Bank was exercised on 27 February 2012 through the transfer of 60 million Deutsche Postbank AG shares. A further 26,417,432 Postbank shares were transferred from Deutsche Post AG to Deutsche Bank AG through the exercise of the put option on 28 February 2012. In the course of the transactions, the cash collateral of €1,161 million plus interest issued by Deutsche Bank AG in February 2009 as an advance paid on the written put option on 26,417,432 Postbank shares and payments on settled hedging transactions were offset.

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure: remaining maturities

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As at 31 December 2012						
Derivative receivables – gross settlement						
Cash outflows	–5,210	–616	0	0	0	0
Cash inflows	5,422	663	0	0	0	0
Net settlement						
Cash inflows	13	2	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–4,922	–440	0	0	0	0
Cash inflows	4,803	430	0	0	0	0
Net settlement						
Cash outflows	–22	–3	0	0	0	0
As at 31 December 2011						
Derivative receivables – gross settlement						
Cash outflows	–1,240	–9	–2	0	0	0
Cash inflows	1,311	16	14	0	0	0
Net settlement						
Cash inflows	10	0	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–1,729	–15	–161	0	0	0
Cash inflows	1,642	9	165	0	0	0
Net settlement						
Cash outflows	–4	–2	0	0	0	0

Derivative financial instruments entail both rights and obligations. The contractual arrangement defines whether these rights and obligations can be offset against each other and therefore result in a net settlement, or whether both parties to the contract will have to perform their obligations in full (gross settlement). No cash flows were reported in the maturity bands for “More than 2 years to 3 years”, “More than 3 years to 4 years”, “More than 4 years to 5 years” and “More than 5 years” as at 31 December 2012, because all derivatives will mature by 2014.

CURRENCY RISK AND CURRENCY MANAGEMENT

The international business activities of Deutsche Post DHL expose it to currency risks that are split internally for risk management purposes into balance sheet currency risks and currency risks from planned future transactions.

Balance sheet currency risks arise from the measurement and settlement of items in foreign currencies that have been recognised if the exchange rate on the measurement or settlement date differs from the rate on recognition. The resulting foreign exchange differences directly impact profit or loss. In order to mitigate this impact as far as possible, all significant balance sheet currency risks within the Group are centralised at Deutsche Post AG through the in-house bank function. The centralised risks are aggregated by Corporate Treasury to calculate a net position per currency and hedged externally based on value-at-risk limits. The currency-related value at risk (95%/one-month holding period) for the portfolio concerned totalled €3 million (previous year: €4 million) at the reporting date; the limit was a maximum of €5 million.

The notional amount of the currency forwards and currency swaps used to manage balance sheet currency risks amounted to €4,370 million at the reporting date (previous year: €2,030 million); the fair value was €42 million (previous year: €–4 million). The adjustment to internal Group financing in December 2012 led to a temporary year-on-year increase in the notional hedging volume. For simplification purposes, fair value hedge accounting was not applied to the derivatives used, which are reported as trading derivatives instead.

Currency risks arise from planned foreign currency transactions if the future foreign currency transactions are settled at exchange rates that differ from the rates originally planned or calculated. These currency risks are also captured centrally in Corporate Treasury and managed on a rolling 24-month basis as part of a hedging programme. The goal is to hedge an average of up to 50% of all significant currency risks over a 24-month period. This makes it possible to plan reliably and reduce fluctuations in earnings caused by currency movements. At the reporting date, an average of approximately 35% of the foreign currency risk of the currencies concerned was hedged for the next 24 months. The relevant hedging transactions are recognised using cash flow hedge accounting; Note 47.3.

In total, currency forwards and currency swaps with a notional amount of €5,976 million (previous year: €3,317 million) were outstanding at the balance sheet date. The corresponding fair value was €51 million (previous year: €–27 million). At the end of the year there were no currency options, as in the previous year. The Group also held cross-currency swaps with a notional amount of €163 million (previous year: €173 million) and a fair value of €2 million (previous year €–6 million) to hedge long-term foreign currency financing.

Currency risks resulting from translating assets and liabilities of foreign operations into the Group's currency (translation risk) were not hedged as at 31 December 2012.

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2012 in accordance with IAS 39, €3 million (previous year: €–22 million) is expected to be recognised in income in the course of 2013.

IFRS 7 requires the disclosure of quantitative risk data showing how profit or loss and equity are affected by changes in exchange rates at the reporting date. The impact of these changes in exchange rates on the portfolio of foreign currency financial instruments is assessed by means of a value-at-risk calculation (95% confidence/one-month holding period). It is assumed that the portfolio as at the reporting date is representative for the full year. Effects of hypothetical changes in exchange rates on translation risk do not fall within the scope of IFRS 7. The following assumptions are used as a basis for the sensitivity analysis:

Primary financial instruments in foreign currencies used by Group companies were hedged by Deutsche Post AG's in-house bank, with Deutsche Post AG setting and guaranteeing monthly exchange rates. Exchange rate-related changes therefore have no effect on the profit or loss and equity of the Group companies. Where, in individual cases, Group companies are not permitted to participate in in-house banking for legal reasons, their currency risks from primary financial instruments are fully hedged locally through the use of derivatives. They therefore have no impact on the Group's risk position.

Hypothetical changes in exchange rates have an effect on the fair values of Deutsche Post AG's external derivatives that is reported in profit or loss; they also affect the foreign currency gains and losses from remeasurement at the closing date of the in-house bank balances, balances from external bank accounts as well as internal and external loans extended by Deutsche Post AG. The foreign currency value at risk of the foreign currency items concerned was €3 million at the reporting date (previous year: €4 million). In addition, hypothetical changes in exchange rates affect equity and the fair values of those derivatives used to hedge unrecognised firm commitments and highly probable forecast currency transactions, which are designated as cash flow hedges. The foreign currency value at risk of this risk position was €32 million as at 31 December 2012 (previous year: €21 million). The total foreign currency value at risk was €35 million at the reporting date (previous year: €23 million). The total amount is lower than the sum of the individual amounts given above, owing to interdependencies.

INTEREST RATE RISK AND INTEREST RATE MANAGEMENT

The fair value of interest rate hedging instruments was calculated on the basis of discounted expected future cash flows using Corporate Treasury's risk management system.

As at 31 December 2012, the Group had entered into interest rate swaps with a notional volume of €326 million (previous year: €1,005 million). The fair value of this interest rate swap position was €23 million (previous year: €48 million). As in the previous year, there were no interest rate options at the reporting date.

The Group placed further fixed-coupon bonds on the capital market in financial year 2012. As a result, the share of instruments with short-term interest lock-ins declined considerably year-on-year. The proportion of financial liabilities with short-term interest lock-ins, Note 43, amounts to 8% (previous year: 55%) as at the reporting date. The effect of potential interest rate changes on the Group's financial position thus remains insignificant.

The quantitative risk data relating to interest rate risk required by IFRS 7 is presented in the form of a sensitivity analysis. This method determines the effects of hypothetical changes in market interest rates on interest income, interest expense and equity as at the reporting date. The following assumptions are used as a basis for the sensitivity analysis:

Primary variable-rate financial instruments are subject to interest rate risk and must therefore be included in the sensitivity analysis. Primary variable-rate financial instruments that were transformed into fixed-income financial instruments using cash flow hedges are not included. Changes in market interest rates for derivative financial instruments used as a cash flow hedge affect equity by changing fair values and must therefore be included in the sensitivity analysis. Fixed-income financial instruments measured at amortised cost are not subject to interest rate risk.

Designated fair value hedges of interest rate risk are not included in the analysis because the interest-related changes in fair value of the hedged item and the hedging transaction almost fully offset each other in profit or loss for the period. Only the variable portion of the hedging instrument affects net financial income/net finance costs and must be included in the sensitivity analysis.

If the market interest rate level as at 31 December 2012 had been 100 basis points higher, net finance costs would have decreased by €2 million (previous year: increased by €8 million). A market interest rate level 100 basis points lower would have had the opposite effect. A change in the market interest rate level by 100 basis points would affect the fair values of the interest rate derivatives recognised in equity. As in the previous year, a rise in interest rates in this financial year would not have increased equity, nor would a reduction have reduced equity.

MARKET RISK

As in the previous year, most of the risks arising from commodity price fluctuations, in particular fluctuating prices for kerosene and marine diesel fuels, were passed on to customers via operating measures. However, the impact of the related fuel surcharges is delayed by one to two months, so that earnings may be affected temporarily if there are significant short-term fuel price variations.

In addition, a small number of commodity swaps for diesel and marine diesel fuel were used to control residual risks. The notional amount of these commodity swaps was €8 million (previous year: €6 million) with a fair value of €0 million (previous year: €1 million).

IFRS 7 requires the disclosure of a sensitivity analysis, presenting the effects of hypothetical commodity price changes on profit or loss and equity.

Changes in commodity prices would affect the fair value of the derivatives used to hedge highly probable forecast commodity purchases (cash flow hedges) and the hedging reserve in equity. As in the previous year, a 10% increase in the commodity prices underlying the derivatives as at the balance sheet date would have increased neither fair values nor equity. A corresponding decline in commodity prices would also have had no effect.

In the interests of simplicity, some of the commodity price hedges were not recognised using cash flow hedge accounting. For the derivatives in question, commodity price changes would affect both the fair values of the derivatives and the income statement. If the underlying commodity prices had been 10% higher at the reporting date, this would have increased the fair values in question and, consequently, operating profit by €0 million (previous year: €0 million). Nor would a corresponding decline in the commodity prices have had any impact.

CREDIT RISK

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. To minimise credit risk from financial transactions, the Group only enters into transactions with prime-rated counterparties. The Group's heterogeneous customer structure means that there is no risk concentration. Each counterparty is assigned an individual limit, the utilisation of which is regularly monitored. A test is performed at the balance sheet dates to establish whether an impairment loss needs to be charged on the positive fair values due to the individual counterparties' credit quality. This was not the case for any of the counterparties as at 31 December 2012.

Default risks are continuously monitored in the operating business. The aggregate carrying amounts of financial assets represent the maximum default risk. Trade receivables amounting to €6,418 million (previous year: €6,426 million) are due within one year. The following table gives an overview of receivables that are past due:

€m			Past due and not impaired at the reporting date						
	Carrying amount before impairment loss	Neither impaired nor due at the reporting date	Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	>180 days
As at 31 December 2012									
Trade receivables	6,634	4,497	764	647	258	103	44	26	23
As at 31 December 2011									
Trade receivables	6,655	4,509	746	680	261	114	50	38	28

Trade receivables changed as follows:

€m	2011	2012
Gross receivables		
As at 1 January	6,242	6,655
Changes	413	–21
As at 31 December	**6,655**	**6,634**
Valuation allowances		
As at 1 January	–231	–229
Changes	2	13
As at 31 December	**–229**	**–216**
Carrying amount as at 31 December	**6,426**	**6,418**

All other financial instruments are neither past due nor impaired. The heterogeneous structure of the counterparties prevents risk concentration.

Impairment losses of €45 million (previous year: €44 million) were recognised for other assets.

47.2 Collateral

€549 million (previous year: €189 million) of collateral is recognised in non-current financial assets as at the balance sheet date. Of this amount, €298 million relates to the restricted cash transferred to a blocked account with Commerzbank AG for any payments that may be required due to the EU state aid proceedings, Note 3, €120 million primarily to liabilities in conjunction with the settlement of Deutsche Post AG's residential building loans, and €67 million to sureties paid.

Collateral of €49 million is recognised in current financial assets (previous year: €170 million). The majority of this concerns collateral deposited for QTE leases.

In addition to collateral for QTE leases, the collateral reported in 2011 consisted largely of collateral relating to the sale of the Deutsche Postbank AG shares held by Deutsche Post AG. Deutsche Post AG was required to deposit payments from hedging transactions that had already been settled as collateral with Deutsche Bank AG. The collateral deposited was released when the mandatory exchangeable bond was exercised in February 2012.

47.3 Derivative financial instruments

The following table gives an overview of the recognised derivative financial instruments used in the Group and their fair values. Derivatives with amortising notional volumes are reported in the full amount at maturity.

Derivative financial instruments

€m	2011		2012				Fair values in 2012, by maturity											
							Assets						Liabilities					
	Notional amount	Fair value	Notional amount	Fair value of assets	Fair value of liabilities	Total fair value	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	>5 years	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	>5 years
Interest rate products																		
Interest rate swaps	1,005	48	326	23	0	23	0	23	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	163	16	163	13	0	13	0	13	0	0	0	0	0	0	0	0	0	0
of which fair value hedges	842	32	163	10	0	10	0	10	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1,005	**48**	**326**	**23**	**0**	**23**	**0**	**23**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Currency transactions																		
Currency forwards	1,483	−24	2,918	47	−43	4	36	11	0	0	0	0	−38	−5	0	0	0	0
of which cash flow hedges	1,045	−22	1,442	32	−23	9	21	11	0	0	0	0	−18	−5	0	0	0	0
of which net investment hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	438	−2	1,476	15	−20	−5	15	0	0	0	0	0	−20	0	0	0	0	0
Currency options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Currency swaps	1,834	−3	3,058	72	−25	47	72	0	0	0	0	0	−25	0	0	0	0	0
of which cash flow hedges	242	−1	164	3	−3	0	3	0	0	0	0	0	−3	0	0	0	0	0
of which held for trading	1,592	−2	2,894	69	−22	47	69	0	0	0	0	0	−22	0	0	0	0	0
Cross-currency swaps	173	−6	163	2	0	2	0	2	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	163	−4	163	2	0	2	0	2	0	0	0	0	0	0	0	0	0	0
of which fair value hedges	10	−2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	3,490	**−33**	**6,139**	**121**	**−68**	**53**	**108**	**13**	**0**	**0**	**0**	**0**	**−63**	**−5**	**0**	**0**	**0**	**0**
Commodity price transactions																		
Commodity price swaps	6	1	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	6	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity price transactions																		
Equity forwards	2,946	1,493	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	2,946	1,493	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity options	2,596	665	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	2,596	665	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	5,542	**2,158**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The forward and the put and call options on the shares of Deutsche Postbank AG were recognised in the equity price transactions item in the previous year. The options were exercised in February 2012.

In addition to those shown in the table, there are other derivatives with a fair value of €–49 million (previous year: €–50 million) that are the result of M&A transactions.

FAIR VALUE HEDGES

Interest rate swaps were used to hedge the fair value risk of fixed-interest euro-denominated liabilities. The fair values of these interest rate swaps amount to €10 million (previous year: €32 million). As at 31 December 2012, there was also a €7 million (previous year: €13 million) adjustment to the carrying amount of the underlying hedged item arising from an interest rate swap unwound in the past. The adjustment to the carrying amount is amortised over the remaining term of the liability using the effective interest method, and reduces future interest expense.

The cross-currency swaps existing at 31 December 2011 (fair value in previous year: €–2 million) expired in 2012, as planned.

The following table gives an overview of the gains and losses arising from the hedged items and the respective hedging transactions:

Ineffective portion of fair value hedges

€m	2011	2012
Gains (+) on hedged items	19	1
Losses (–) on hedging transactions	–21	–1
Balance (ineffective portion)	–2	0

CASH FLOW HEDGES

The Group uses currency forwards and swaps to hedge the cash flow risks from future foreign currency operating revenue and expenses. The fair values of currency forwards and swaps amounted to €–10 million at the reporting date (previous year: €–26 million). The hedged items will affect cash flow until 2014.

Currency forwards with a fair value of €0 million (previous year: €–3 million) as at the reporting date were entered into to hedge the currency risk of future lease payments denominated in foreign currencies. The payments for the hedged items are made in instalments, with the final payment due in 2013.

Risks arising from fixed-interest foreign currency investments were hedged using synthetic cross-currency swaps, with the investments being transformed into fixed-interest euro investments. These synthetic cross-currency swaps hedge the currency risk, and their fair values at the reporting date amounted to €15 million (previous year: €12 million).

The risks from the purchase of diesel and marine diesel fuels, which cannot be passed on to customers, were hedged using commodity swaps that will affect cash flow in 2013. The fair value of these cash flow hedges amounted to €0 million as at year-end (previous year: €1 million).

47.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments equivalent to the respective balance sheet items. The following table reconciles the classes to the categories given in IAS 39 and the respective fair values:

Reconciliation of carrying amounts in the balance sheet as at 31 December 2012

€m	Carrying amount	Carrying amount by measurement category in accordance with IAS 39		
		Financial assets and liabilities at fair value through profit or loss		Available-for-sale financial assets
		Trading	Fair value option	
ASSETS				
Non-current financial assets	1,039			
at cost	866	0	0	104
at fair value	173	0	79	58
Other non-current assets	633			
outside IFRS 7	633	0	0	0
Receivables and other current assets	9,112			
at cost	7,852	0	0	0
outside IFRS 7	1,260	0	0	0
Current financial assets	252			
at cost	119	0	0	0
at fair value	133	85	0	24
Cash and cash equivalents	2,400	0	0	0
Total ASSETS	**13,436**	**85**	**79**	**186**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	4,413			
at cost	4,405	0	0	0
at fair value	8	3	0	0
Other non-current liabilities	276			
at cost	149	0	0	0
outside IFRS 7	127	0	0	0
Current financial liabilities	403			
at cost	294	0	0	0
at fair value	109	88	0	0
Trade payables	5,991	0	0	0
Other current liabilities	4,004			
at cost	398	0	0	0
outside IFRS 7	3,606	0	0	0
Total EQUITY AND LIABILITIES	**15,087**	**91**	**0**	**0**

[1] A portion of the bond issued by Deutsche Post Finance B.V. with a principal amount of €926 million and included in non-current financial liabilities was designated as a hedged item in a fair value hedge and is thus subject to a basis adjustment. The bond is therefore recognised neither at full fair value nor at amortised cost. Non-current financial liabilities also include the convertible bond issued by Deutsche Post AG in December 2012. The listed bond had a fair value of €1,049 million at the balance sheet date. A fair value of €929 million was reported for the debt component at the balance sheet date.

				Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
	Loans and receivables/ other financial liabilities	Held-to-maturity assets	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
	737	0	0	25	866
	0	0	36	0	173
	0	0	0	0	0
	7,852	0	0	0	7,852
	0	0	0	0	0
	77	0	0	42	119
	0	0	24	0	133
	2,400	0	0	0	2,400
	11,066	**0**	**60**	**67**	**–**
	4,282	0	0	123	4,405
	0	0	5	0	8
	149	0	0	0	149
	0	0	0	0	0
	268	0	0	26	294
	0	0	21	0	109
	5,991	0	0	0	5,991
	398	0	0	0	398
	0	0	0	0	0
	11,088	**0**	**26**	**149**	**–**

Reconciliation of carrying amounts in the balance sheet as at 31 December 2011

€m

	Carrying amount	Carrying amount by measurement category in accordance with IAS 39		
		Financial assets and liabilities at fair value through profit or loss		Available-for-sale financial assets
		Trading	Fair value option	
ASSETS				
Non-current financial assets	729			
at cost	566	0	0	103
at fair value	163	0	68	69
Other non-current assets	570			
outside IFRS 7	570	0	0	0
Receivables and other current assets	9,089			
at cost	7,685	0	0	0
outside IFRS 7	1,404	0	0	0
Current financial assets	2,498			
at cost	256	0	0	0
at fair value	2,242	2,191	0	8
Cash and cash equivalents	3,123	0	0	0
Total ASSETS	**16,009**	**2,191**	**68**	**180**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	1,366			
at cost	1,355	0	0	0
at fair value	11	6	0	0
Other non-current liabilities	347			
at cost	221	0	0	0
outside IFRS 7	126	0	0	0
Current financial liabilities	5,644			
at cost	5,518	0	0	0
at fair value	126	82	0	0
Trade payables	6,168	0	0	0
Other current liabilities	4,106			
at cost	317	0	0	0
outside IFRS 7	3,789	0	0	0
Total EQUITY AND LIABILITIES	**17,631**	**88**	**0**	**0**

[1] Some of the bonds included in financial liabilities were designated as a hedged item in a fair value hedge and are thus subject to a basis adjustment. They are therefore recognised neither at full fair value nor at amortised cost.

No assets were reclassified in financial years 2012 and 2011.

			Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
Loans and receivables/ other financial liabilities	Held-to-maturity assets	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
428	0	0	35	566
0	0	26	0	163
0	0	0	0	0
7,685	0	0	0	7,685
0	0	0	0	0
215	0	0	41	256
0	0	43	0	2,242
3,123	0	0	0	3,123
11,451	**0**	**69**	**76**	**–**
1,207	0	0	148	1,355
0	0	5	0	11
221	0	0	0	221
0	0	0	0	0
5,491	0	0	27	5,518
0	0	44	0	126
6,168	0	0	0	6,168
317	0	0	0	317
0	0	0	0	0
13,404	**0**	**49**	**175**	**–**

If there is an active market for a financial instrument (e.g., stock exchange), the fair value is determined by reference to the market or quoted exchange price at the balance sheet date. If no fair value is available in an active market, the quoted prices in an active market for similar instruments or recognised valuation techniques are used to determine the fair value. The valuation techniques used incorporate the key factors determining the fair value of the financial instruments using valuation parameters that are derived from the market conditions as at the balance sheet date. Counterparty risk is analysed on the basis of the current credit default swaps signed by the counterparties. The fair values of other non-current receivables and held-to-maturity financial investments with remaining maturities of more than one year correspond to the present values of the payments related to the assets, taking into account current interest rate parameters.

Cash and cash equivalents, trade receivables and other receivables have predominantly short remaining maturities. As a result, their carrying amounts as at the reporting date are approximately equivalent to their fair values. Trade payables and other liabilities generally have short remaining maturities; the recognised amounts approximately represent their fair values.

Available-for-sale financial assets include shares in partnerships and corporations in the amount of €104 million (previous year: €103 million). There is no active market for these instruments. As no future cash flows can be reliably determined, the fair values cannot be determined using valuation techniques. The shares of these entities are recognised at cost. There are no plans to sell or derecognise significant shares of the available-for-sale financial assets recognised as at 31 December 2012 in the near future. As in the previous year, no significant shares measured at cost were sold in the financial year. Available-for-sale financial assets measured at fair value relate to equity and debt instruments.

Financial assets at fair value through profit or loss include securities to which the fair value option was applied, in order to avoid accounting inconsistencies. There is an active market for these assets, which are recognised at fair value.

The following table presents the methods used to determine the fair value for each class:

Financial assets and liabilities, 2012

€m

Level	1	2	3
Class	Quoted market prices	Measurement using key inputs based on observable market data	Measurement using key inputs not based on observable market data
Non-current financial assets at fair value	137	36	0
Current financial assets at fair value	24	109	0
Non-current financial liabilities at fair value	0	5	3
Current financial liabilities at fair value	0	63	46

The fair value of currency forwards was measured on the basis of discounted expected future cash flows, taking forward rates on the foreign exchange market into account. The currency options were measured using the Black-Scholes option pricing model.

Level 2 includes commodity, interest rate and currency derivatives. Level 3 mainly comprises options entered into in connection with intercompany transactions. These options are measured using recognised valuation models, taking plausible assumptions into account; measurement depends largely on financial ratios. Gains of €5 million from the change in fair value impacted net finance costs in 2012; Note 17.

Financial assets and liabilities, 2011

€m

Level	1	2	3
Class	Quoted market prices	Measurement using key inputs based on observable market data	Measurement using key inputs not based on observable market data
Non-current financial assets at fair value	137	26	0
Current financial assets at fair value	8	2,234	0
Non-current financial liabilities at fair value	0	5	6
Current financial liabilities at fair value	0	82	44

The net gains and losses on financial instruments classified in accordance with the individual measurement categories in IAS 39 are as follows:

Net gains and losses by measurement category

€m	2011	2012
Loans and receivables	–94	–111
Financial assets and liabilities at fair value through profit or loss		
Trading	231	–337
Fair value option	–1	0
Other financial liabilities	1	2

The net gains and losses mainly include the effects of the fair value measurement, impairment and disposals (disposal gains/losses) of financial instruments. In financial years 2012 and 2011, the measurement of the forward and the options entered into to transfer the remaining Postbank shares had a material effect on net gains and losses. Dividends and interest are not taken into account for the financial instruments measured at fair value through profit or loss. Disclosures on net gains or losses on available-for-sale financial assets can be found in Note 37. Income and expenses from interest and commission agreements of the financial instruments not measured at fair value through profit or loss are explained in the income statement disclosures.

48 Contingent liabilities

The Group's contingent liabilities total €1,135 million (previous year: €2,767 million). €22 million of the contingent liabilities relates to guarantee obligations (previous year: €24 million), €103 million to warranties (previous year: €119 million) and €130 million to liabilities from litigation risks (previous year: €125 million). The other contingent liabilities declined by €1,619 million, from €2,499 million in the previous year to €880 million. Following the additional VAT payment of €482 million, Note 3, this tax item was no longer recognised as a contingent liability. In addition, as more information was available, the existing obligation from a formal state aid investigation was reassessed and the amount of the obligation was reduced.

49 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €6,325 million (previous year: €6,625 million) from non-cancellable operating leases as defined by IAS 17.

The Group's future non-cancellable payment obligations under leases are attributable to the following asset classes:

Lease obligations

€m	2011	2012
Land and buildings	5,294	5,100
Aircraft	765	647
Transport equipment	443	450
Technical equipment and machinery	80	65
Other equipment, operating and office equipment	31	48
IT equipment	12	15
Lease obligations	**6,625**	**6,325**

The decrease in lease obligations by €300 million to €6,325 million is a consequence of the reduction in the remaining terms of legacy agreements, especially for real estate and aircraft which, in the main, are not matched by the same volume of new leases.

Maturity structure of minimum lease payments

€m	2011	2012
Less than 1 year	1,479	1,504
More than 1 year to 2 years	1,100	1,107
More than 2 years to 3 years	867	837
More than 3 years to 4 years	668	642
More than 4 years to 5 years	526	500
More than 5 years	1,985	1,735
	6,625	**6,325**

The present value of discounted minimum lease payments is €5,156 million (previous year: €5,003 million), based on a discount factor of 4.75% (previous year: 6.50%). Overall, rental and lease payments amounted to €2,529 million (previous year: €2,364 million), of which €1,730 million (previous year: €1,640 million) relates to non-cancellable leases. €2,255 million (previous year: €2,526 million) of future lease obligations from non-cancellable leases is primarily attributable to Deutsche Post Immobilien GmbH.

The purchase obligation for investments in non-current assets amounts to €125 million (previous year: €90 million).

50 Litigation

A large number of the services rendered by Deutsche Post AG and its subsidiaries are subject to sector-specific regulation by the *Bundesnetzagentur* (German federal network agency) pursuant to the *Postgesetz* (German Postal Act). The *Bundesnetzagentur* approves or reviews prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

Legal risks arise, amongst other things, from appeals by an association and a competitor against the price approvals under the price cap procedure for 2003, 2004 and 2005, and by the association against the price approval under the price cap procedure for 2008. Although the appeals by the association against price approvals for the years 2003 to 2005 were finally dismissed by the Münster Higher Administrative Court, they are now, however, being continued in the Münster Higher Administrative Court, as the court of second instance, due to a successful constitutional complaint.

Legal risks also result from appeals by Deutsche Post AG against other price approvals granted by the regulatory authority.

Deutsche Post AG increased its discounts for downstream access on 1 July 2010. Deutsche Post competitors and their associations filed complaints against these discount increases with the *Bundesnetzagentur*. They claim that the increased discounts conflict, in particular, with regulatory requirements. However, the *Bundesnetzagentur* discontinued its review proceedings by way of a notification of 15 September 2010 after having found no violation of the applicable regulations. In October 2011, several competitors of Deutsche Post AG brought an action in the Cologne Administrative Court against the *Bundesnetzagentur* with the aim of reversing the discount increases. Deutsche Post AG considers its charges for downstream access and the discount increases to be in compliance with the regulatory and other legal requirements. However, no assurance can be given that the courts will not come to a different conclusion that would have negative effects on Deutsche Post AG's revenue and earnings.

In its decision dated 14 June 2011, the *Bundesnetzagentur* concluded that First Mail Düsseldorf GmbH, a subsidiary of Deutsche Post AG, and Deutsche Post AG had contravened the discounting and discrimination prohibitions under the *Postgesetz*. The companies were instructed to remedy the breaches that had been identified. Both companies appealed against the ruling to the Cologne Administrative Court. Furthermore, First Mail Düsseldorf GmbH filed an application to suspend the execution of the ruling until a decision was reached in the principal proceedings. The Cologne Administrative Court and the Münster Higher Administrative Court both dismissed this application. First Mail Düsseldorf GmbH discontinued its mail delivery operations at the end of 2011 and retracted its appeal on 19 December 2011. Deutsche Post AG continues to pursue its appeal against the *Bundesnetzagentur* ruling.

In its ruling of 30 April 2012, the *Bundesnetzagentur* determined that Deutsche Post AG had contravened the discrimination provisions under the *Postgesetz* by charging different fees for the transport of identical invoices and invoices containing different amounts. Deutsche Post AG was requested to discontinue the discrimination determined immediately, but no later than 31 December 2012. Deutsche Post does not share the legal opinion of the *Bundesnetzagentur* and appealed the ruling to the Cologne Administrative Court.

The European Commission's state aid ruling of 25 January 2012 concluded the formal investigation that it had initiated on 12 September 2007. The investigation focused on whether the Federal Republic of Germany, using state resources, overcompensated Deutsche Post AG or its legal predecessor Deutsche Bundespost POSTDIENST for the cost of providing universal services between 1989 and 2007 and whether the company was thereby granted state aid incompatible with EU law. According to the decision opening the investigation, the Commission intended to examine all public transfers, public guarantees, statutorily granted exclusive rights, the price regulation of letter services and the public funding of civil servants' pensions during the period in question. Also to be investigated was the cost allocation within Deutsche Post AG and its predecessor between the regulated letter service, the universal service and competitive services. This also relates to co-operation agreements between Deutsche Post AG and Deutsche Postbank AG as well as between Deutsche Post AG and the business parcel service marketed by DHL Vertriebs GmbH. The *Monopolkommission* (German Monopoly Commission) had also previously alleged that Deutsche Post AG permits Deutsche Postbank AG to use its retail outlets at below-market rates, and that in so doing it contravenes the prohibition on state aid enshrined in the EC Treaty. The European Commission extended its official state aid proceedings on 10 May 2011. The extension concerned the funding arrangements for civil servants' pensions, which were to be examined more closely, including the pension obligations factored into the price approval process.

In its state aid ruling of 25 January 2012, the European Commission concluded that Deutsche Post AG and its predecessor, Deutsche Bundespost POSTDIENST, did not receive any excessive state funding for the universal services provided in the years 1989 to 2007 and that therefore no incompatible state aid was granted. Equally, the European Commission found no evidence of illegal state aid with respect to the guarantees issued by the German state. It also did not find fault with the co-operation agreements between Deutsche Post AG and Deutsche Postbank AG, and between Deutsche Post AG and DHL Vertriebs GmbH. The European Commission did not revisit the 1999 sale of shares of Deutsche Postbank AG to Deutsche Post AG in its ruling. However, in its review of the funding of civil servants' pensions, the European Commission concluded that Deutsche Post AG had received illegal state aid in this area. It said that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the

price approval process led to Deutsche Post AG having to pay lower social security contributions for civil servants than its competitors pay for salaried employees. According to the Commission, this benefit represents illegal state aid that must be repaid by Deutsche Post AG to the Federal Republic of Germany. The precise amount has to be calculated by the Federal Republic. In a press release, the European Commission had referred to an amount of between €500 million and €1 billion. Deutsche Post AG is of the opinion that the European Commission's state aid decision cannot withstand legal review and submitted an appeal to the European Court of Justice in Luxembourg. The Federal Republic of Germany likewise appealed the decision.

To implement the state aid ruling, the federal government on 29 May 2012 called upon Deutsche Post AG to make a payment of €298 million including interest. Deutsche Post AG paid this amount to a trustee on 1 June 2012 and appealed the recovery order. The payment made was reported solely in the balance sheet under non-current assets, the earnings position remained unaffected.

The European Commission has thus far not expressed its final acceptance of the calculation of the state aid to be repaid. It cannot be ruled out that Deutsche Post AG will be required to make a higher payment.

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

In October 2007 DHL Global Forwarding, along with all other major players in the freight forwarding industry, received a request for information from the Competition Directorate of the European Commission, a subpoena from the United States Department of Justice's Antitrust Division and requests for information from competition authorities in other jurisdictions in connection with a formal investigation into the setting of surcharges and fees in the international freight forwarding industry. In the US investigation and the European investigation, the authorities confirmed the amnesty for DHL based on its early co-operation with the authorities; no fine was imposed against Deutsche Post DHL. In January 2008, an antitrust class action was initiated in the New York District Court on behalf of purchasers of freight forwarding services in which Deutsche Post AG and DHL are named as defendants. Deutsche Post DHL is not able to comment on the outcome of the remaining investigations in other jurisdictions or the prospects of the class action, but believes its financial exposure in relation to both is limited.

51 Share-based payment

Share-based payment for executives (Share Matching Scheme)

The new system to grant variable remuneration components for some of the Group's executives introduced in 2009, which is accounted for as an equity-settled share-based payment transaction in accordance with IFRS 2, was extended to include other groups of Group executives in 2010. Under this system, certain executives receive part of their variable remuneration for the financial year in the form of shares of Deutsche Post AG in the following year (incentive shares); all Group executives can specify an increased equity component individually by converting a further portion of their variable remuneration for the financial year (investment shares). If certain conditions are met, the executive will again be awarded the same number of Deutsche Post AG shares four years later (matching shares).

Share Matching Scheme

		2009 tranche	2010 tranche	2011 tranche	2012 tranche
Grant date		1 Nov. 2009	1 Jan. 2010	1 Jan. 2011	1 Jan. 2012
Term	months	53	63	63	63
End of term		March 2014	March 2015	March 2016	March 2017
Share price at grant date	€	11.48	13.98	12.90	12.13
Number of incentive shares	in thousands	430	638	659	549
Number of matching shares expected	in thousands	762	1,674	1,704	1,503

In the consolidated financial statements as at 31 December 2012, €34 million (previous year: €33 million) was recognised in equity for the granting of variable remuneration components; Note 37.1.

Stock Appreciation Rights (SAR) Plan for executives

Since 3 July 2006, selected executives have received annual tranches of SARs under the Long-Term Incentive Plan. This allows them to receive a cash payment within a defined period in the amount of the difference between the respective price of Deutsche Post shares and the fixed issue price if demanding performance targets are met. All SARs under the 2006 and 2007 tranches expired at the end of the respective waiting periods, since the performance targets were not met. After the expiry of the waiting period for the 2008 tranche on 30 June 2011, two-sixths of the SARs granted became exercisable. However, they could not be exercised so far because the share price has not yet exceeded the issue price of €18.40. The exercise period for these SARs will end on 30 June 2013. Since the waiting period was extended from three to four years in 2009, no waiting period was completed for any of the tranches in 2012.

Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management

Since 1 July 2006, the members of the Board of Management receive SARS under the 2006 Long-Term Incentive Plan. Each SAR under the 2006 LTIP entitles the holder to receive a cash settlement equal to the difference between the average closing price of Deutsche Post shares during the last five trading days before the exercise date and the issue price of the SAR.

The members of the Board of Management each invested 10% of their fixed annual remuneration (annual base salary) as a personal financial investment in 2012. The number of SARS issued to the members of the Board of Management is determined by the Supervisory Board. Following a four-year waiting period that begins on the issue date, the SARS granted can be fully or partly exercised within a period of two years provided an absolute or relative performance target is achieved at the end of the waiting period. Any SARS not exercised during this two-year period will expire. To determine how many – if any – of the granted SARS can be exercised, the average share price or the average index is compared for the reference period and the performance period. The reference period comprises the last 20 consecutive trading days before the issue date. The performance period is the last 60 trading days before the end of the waiting period. The average (closing) price is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra trading system.

The absolute performance target is met if the closing price of Deutsche Post shares is at least 10, 15, 20 or 25% above the issue price. The relative performance target is tied to the performance of the shares in relation to the STOXX Europe 600 Index (SXXP, ISIN EU0009658202). It is met if the share price equals the index performance or if it outperforms the index by at least 10%.

A maximum of four out of every six SARS can be "earned" via the absolute performance target, and a maximum of two via the relative performance target. If neither an absolute nor a relative performance target is met by the end of the waiting period, the SARS attributable to the related tranche will expire without replacement or compensation. More details on the 2006 LTIP tranches are shown in the following table:

2006 LTIP

SARS	2008 tranche	2009 tranche	2010 tranche	2011 tranche	2012 tranche
Issue date	1 July 2008	1 July 2009	1 July 2010	1 July 2011	1 July 2012
Issue price in €	18.40	9.52	12.27	12.67	13.26
Waiting period expires	30 June 2011	30 June 2013	30 June 2014	30 June 2015	30 June 2016

The fair value of the SAR Plan and the Long-Term Incentive Plan (2006 LTIP) was determined using a stochastic simulation model. As a result, an expense of €143 million was recognised for financial year 2012 (previous year: €24 million).

See Note 52.2 for further disclosures on share-based payment for members of the Board of Management. A provision for the 2006 LTIP and the SAR Plan was recognised as at the balance sheet date in the amount of €203 million (previous year: €61 million), of which €25 million was attributable to the Board of Management.

52 Related party disclosures

52.1 Related party disclosures (companies and Federal Republic of Germany)

All companies classified as related parties that are controlled by the Group or on which the Group can exercise significant influence are recorded in the list of shareholdings, which can be accessed on the website, www.dp-dhl.com/en/investors.html, together with information on the equity interest held, their equity and their net profit or loss for the period, broken down by geographical areas.

Deutsche Post AG maintains a variety of relationships with the Federal Republic of Germany and other companies controlled by the Federal Republic of Germany.

The federal government is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG has direct business relationships with the individual public authorities and other government agencies as independent individual customers. The services provided for these customers are insignificant in respect of Deutsche Post AG's overall revenue.

RELATIONSHIPS WITH KFW BANKENGRUPPE

KfW Bankengruppe (KfW) supports the federal government in continuing to privatise companies such as Deutsche Post AG or Deutsche Telekom AG. In 1997, KfW, together with the federal government, developed a "placeholder model" as a tool to privatise government-owned companies. Under this model, the federal government sells all or part of its investments to KfW with the aim of fully privatising these state-owned companies. On this basis, KfW has purchased shares of Deutsche Post AG from the federal government in several stages since 1997 and executed various capital market transactions using these shares. KfW placed a 5% package of Deutsche Post AG shares on the market at the beginning of September 2012, reducing its interest in Deutsche Post AG's share capital. KfW's current interest in Deutsche Post AG's share capital is 25.5%. Deutsche Post AG is thus considered to be an associate of the federal government.

RELATIONSHIPS WITH THE BUNDESANSTALT FÜR POST UND TELEKOMMUNIKATION

The Bundesanstalt für Post und Telekommunikation (BAnstPT) is a government agency and falls under the technical and legal supervision of the German Federal Ministry of Finance. Under the *Bundesanstalt-Reorganisationsgesetz* (German Federal Agency Reorganisation Act), which entered into force on 1 December 2005, the Federal Republic of Germany directly undertakes the tasks relating to holdings in Deutsche Bundespost successor companies through the Federal Ministry of Finance. It is therefore no longer necessary for the BAnstPT to perform the "tasks associated with ownership". The BAnstPT manages the social facilities such as the Postal Civil Service Health Insurance Fund, the recreation programme, the *Versorgungsanstalt der Deutschen Bundespost* (VAP) and the welfare service for Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG, as well as setting the objectives for social housing. The tasks are performed on the basis of agency agreements. In 2012, Deutsche Post AG was invoiced for €70 million (previous year: €70 million) in instalment payments relating to services provided by the BAnstPT.

RELATIONSHIPS WITH THE GERMAN FEDERAL MINISTRY OF FINANCE

In financial year 2001, the German Federal Ministry of Finance and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German Acts on the Reduction of Misdirected Housing Subsidies) relating to housing benefits granted by Deutsche Post AG. Deutsche Post AG transfers the amounts to the federal government on a monthly basis.

Deutsche Post AG also entered into an agreement with the Federal Ministry of Finance dated 30 January 2004 relating to the transfer of civil servants to German federal authorities. Under this agreement, civil servants are seconded with the aim of transferring them initially for six months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the federal government by paying a flat fee. In 2012, this initiative resulted in eleven permanent transfers (previous year: 15) and 16 secondments with the aim of a permanent transfer in 2013 (previous year: ten).

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 2012, this initiative resulted in no permanent transfers.

RELATIONSHIPS WITH DEUTSCHE TELEKOM AG AND ITS SUBSIDIARIES

The federal government holds around 32% of the shares of Deutsche Telekom AG directly and indirectly (via KfW Bankengruppe). A control relationship exists between Deutsche Telekom and the federal government because the federal government, despite its non-controlling interest, has a secure majority at the Annual General Meeting due to its average presence there. Deutsche Telekom is therefore a related party of Deutsche Post AG. In financial year 2012, Deutsche Post DHL provided goods and services (mainly transport services for letters and parcels) for Deutsche Telekom AG and purchased goods and services (such as IT products) from Deutsche Telekom.

RELATIONSHIPS WITH DEUTSCHE BAHN AG AND ITS SUBSIDIARIES

Deutsche Bahn AG is wholly owned by the German government. Owing to this control relationship, Deutsche Bahn AG is a related party to Deutsche Post AG. Deutsche Post DHL has various business relationships with the Deutsche Bahn Group. These mainly consist of transport service agreements.

BUNDES-PENSIONS-SERVICE FÜR POST UND TELEKOMMUNIKATION E.V.

Information on the Bundes-Pensions-Service für Post- und Telekommunikation e.V. (BPS-PT) can be found in Note 6.

RELATIONSHIP WITH PENSION FUNDS

The real estate with a fair value of €995 million (previous year: €1,011 million), of which Deutsche Post Betriebsrenten Service e.V. (DPRS) and/or Deutsche Post Pensions-Treuhand GmbH & Co. KG, Deutsche Post Betriebsrenten-Service e.V. & Co. Objekt Gronau KG and Deutsche Post Grundstücks-Vermietungsgesellschaft beta mbH Objekt Leipzig KG are the legal or beneficial owners, is exclusively let to Deutsche Post Immobilien GmbH. Rental expense for Deutsche Post Immobilien GmbH amounted to €65 million in 2012 (previous year: €64 million). The rent was always paid on time. Deutsche Post Pensions-Treuhand GmbH & Co. KG owns 100% of Deutsche Post Pensionsfonds AG, which was established at the end of 2009. No receivables or liabilities were due as at 31 December 2012. There were no sales relationships between external funds and a Group company of Deutsche Post AG in 2012.

RELATIONSHIPS WITH UNCONSOLIDATED COMPANIES, ASSOCIATES AND JOINT VENTURES

In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with unconsolidated companies, associates and joint ventures deemed to be related parties of the Group in the course of its ordinary business activities. As part of these activities, all transactions for the provision of goods and services entered into with unconsolidated companies were conducted on an arm's length basis at standard market terms and conditions. Transactions were conducted in financial year 2012 with major related parties, resulting in the following items in the consolidated financial statements:

€m	2011	2012
Receivables	27	7
from associates	18	1
from joint ventures	5	3
from unconsolidated companies	4	3
Loans	33	11
to associates	0	0
to joint ventures	20	0
to unconsolidated companies	13	11
Receivables from in-house banking	3	2
from associates	0	0
from joint ventures	3	2
from unconsolidated companies	0	0
Financial liabilities	102	93
to associates	28	2
to joint ventures	5	7
to unconsolidated companies	69	84
Liabilities	33	35
to associates	10	0
to joint ventures	22	35
to unconsolidated companies	1	0
Revenue	290	80
from associates[1]	269	46
from joint ventures	20	33
from unconsolidated companies	1	1
Expenses[2]	629	264
due to associates[1]	445	66
due to joint ventures	163	176
due to unconsolidated companies	21	22

[1] Revenue and expenses include Deutsche Postbank AG-related amounts up to and including February 2012.
[2] Relate to materials expense and staff costs.

Deutsche Post AG issued letters of commitment in the amount of €101 million (previous year: €140 million) for these companies. Of this amount, €94 million (previous year: €109 million) was attributable to associates, €3 million (previous year: €26 million) to joint ventures and €4 million (previous year: €5 million) to unconsolidated companies.

52.2 Related party disclosures (individuals)

In accordance with IAS 24, the Group also reports on transactions between the Group and related parties or members of their families. Related parties are defined as the Board of Management, the Supervisory Board and the members of their families.

There were no reportable transactions or legal transactions involving related parties in financial year 2012.

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	2011	2012
Short-term employee benefits (excluding share-based payment)	13	15
Post-employment benefits	3	3
Termination benefits	4	0
Share-based payment	1	18
Total	21	36

As well as the aforementioned benefits for their work on the Supervisory Board, the employee representatives who are on the Supervisory Board and who are employed by the Group also receive their normal salaries for their work in the company. These salaries are determined at levels that are commensurate with the salary appropriate for the function or work performed in the company.

Post-employment benefits are recognised as the service cost resulting from the pension provisions for active members of the Board of Management.

The share-based payment amount relates to the relevant expense recognised for financial years 2011 and 2012. It is itemised in the following table:

Share-based payment

thousands of €	2011	2012
	SARS	SARS
Dr Frank Appel, Chairman	199	3,951
Ken Allen	111	2,409
Roger Crook[1]	58	576
Bruce Edwards	114	2,452
Jürgen Gerdes	114	2,452
Lawrence Rosen	111	2,398
Walter Scheurle[2]	114	3,994
Hermann Ude[3]	438	–
Angela Titzrath[4]	–	119
Share-based payment	1,259	18,351

[1] Since 9 March 2011.
[2] Until 30 April 2012.
[3] Until 8 March 2011.
[4] Since 1 May 2012.

BOARD OF MANAGEMENT REMUNERATION

The total remuneration paid to the active members of the Board of Management in financial year 2012 including the components with a long-term incentive effect totalled €20.3 million (previous year: €19.0 million). Of this amount, €7.6 million (previous year: €7.4 million) is attributable to non-performance-related components (annual base salary and fringe benefits), €5.7 million (previous year: €4.6 million) to performance-related components (variable components) and €7.0 million (previous year: €7.0 million) to components with a long-term incentive effect (SARS). The number of SARS was 2,108,466 (previous year: 2,771,178).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

The remuneration of former members of the Board of Management or their surviving dependants amounted to €4.6 million in the year under review (previous year: €7.4 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSS amounted to €78 million (previous year: €57.0 million). A total of €20.9 million of the difference is due to the significantly lower discount rate under IFRSS compared with the previous year, as well as the greater number of pensioners as their pension benefits have fallen due. No additional obligations have been incurred in this context.

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in financial year 2012 amounted to approximately €1.9 million (previous year: €1.4 million); €1.2 million of this amount was attributable to a fixed component (previous year: €1.2 million), €0.2 million to attendance allowances (previous year: €0.2 million) and €0.4 million to the performance-related remuneration for financial year 2010 (previous year: €0 million).

FORMER MEMBERS OF THE SUPERVISORY BOARD

The conditions for the performance-based remuneration for 2010 were met as at 31 December 2012. This led to a payment of €0.04 million to former members of the Supervisory Board.

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found in the Corporate Governance Report. The remuneration report contained in the Corporate Governance Report also forms part of the Group Management Report.

SHAREHOLDINGS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As at 31 December 2012, 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 notified to Deutsche Post AG in accordance with section 15 a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) can be viewed on the company's website at www.dp-dhl.com/en/investors.html.

53 Auditor's fees

The following fees for services rendered by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, were recognised as an expense in financial year 2012 and in the previous year:

€m	2011	2012
Audits of the financial statements	5	5
Other assurance or valuation services	2	3
Tax advisory services	0	0
Other services	2	2
Auditor's fees	9	10

54 Exemptions under the HGB and local foreign legislation

For financial year 2012, Deutsche Post AG has exercised the simplification options under section 264 (3) of the HGB or section 264b of the HGB for the following companies:

- Adcloud GmbH
- Agheera GmbH
- Albert Scheid GmbH
- CSG GmbH (formerly Deutsche Post Real Estate Germany GmbH)
- CSG.TS GmbH (formerly Deutsche Post Technischer Service GmbH)
- Danzas Deutschland Holding GmbH
- Danzas Grundstücksverwaltung Groß-Gerau GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Assekuranz Vermittlungs GmbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Com GmbH
- Deutsche Post Consult GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post DHL Beteiligungen GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG
- Deutsche Post DHL Inhouse Consulting GmbH
- Deutsche Post DHL Research and Innovation GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post E-Post Development GmbH
- Deutsche Post E-POST Solutions GmbH (formerly Williams Lea Deutschland GmbH)
- Deutsche Post Fleet GmbH
- Deutsche Post Grundstücks-Vermietungsgesellschaft beta mbH
- Deutsche Post Immobilien GmbH

- Deutsche Post InHaus Services GmbH (formerly Williams Lea Inhouse Solutions GmbH)
- Deutsche Post Investments GmbH
- Deutsche Post IT BRIEF GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Signtrust und DMDA GmbH
- Deutsche Post Zahlungsdienste GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL Automotive Offenau GmbH
- DHL Express Germany GmbH
- DHL Fashion Retail Operation GmbH (formerly DHL BwLog GmbH)
- DHL Foodservices GmbH
- DHL Freight Germany Holding GmbH
- DHL Freight GmbH
- DHL Global Forwarding GmbH
- DHL Global Forwarding Management GmbH
- DHL Global Management GmbH
- DHL Home Delivery GmbH
- DHL Hub Leipzig GmbH
- DHL International GmbH
- DHL Logistics GmbH
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Solutions Großgut GmbH
- DHL Solutions Retail GmbH
- DHL Supply Chain (Leipzig) GmbH
- DHL Supply Chain Management GmbH
- DHL Supply Chain VAS GmbH
- DHL Trade Fairs & Events GmbH
- DHL Vertriebs GmbH (formerly DHL Vertriebs GmbH & Co. oHG)
- DHL Verwaltungs GmbH
- Erste End of Runway Development Leipzig GmbH
- Erste Logistik Entwicklungsgesellschaft MG GmbH
- European Air Transport Leipzig GmbH
- FIRST MAIL Düsseldorf GmbH
- forum gelb GmbH
- Gerlach Zolldienste GmbH
- interServ Gesellschaft für Personal- und Beraterdienstleistungen mbH
- ITG GmbH Internationale Spedition und Logistik
- SGB Speditionsgesellschaft mbH
- Siegfried Vögele Institut (SVI) – Internationale Gesellschaft für Dialogmarketing mbH
- Werbeagentur Janssen GmbH
- Williams Lea GmbH
- Zweite Logistik Entwicklungsgesellschaft MG GmbH

The following companies make use of the audit exemption under 479A of the Companies Act:

- Applied Distribution Group Ltd.
- DHL Exel Supply Chain Ltd.
- Exel Overseas Ltd.
- Freight Indemnity & Guarantee Company Ltd.
- Ocean Group Investments Ltd.
- Ocean Overseas Holdings Ltd.
- Power Europe Development Ltd.
- Power Europe Operating Ltd.
- RDC Properties Ltd.
- T & B Applied Ltd.
- Tibbett & Britten Group Ltd.
- Trucks and Child Safety Ltd.

55 Declaration of Conformity with the German Corporate Governance Code

The Board of Management and the Supervisory Board of Deutsche Post AG jointly submitted the Declaration of Conformity with the German Corporate Governance Code for financial year 2012 required by section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). This Declaration of Conformity can be accessed online at www.corporate-governance-code.de and at www.dp-dhl.com/en/investors.html.

56 Significant events after the balance sheet date

There were no significant events after the reporting date.

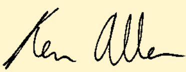
RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

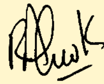
Bonn, 18 February 2013

Deutsche Post AG
The Board of Management

Dr Frank Appel

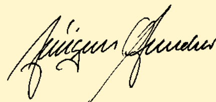


Ken Allen



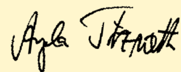
Roger Crook

Bruce Edwards



Jürgen Gerdes

Lawrence Rosen



Angela Titzrath

INDEPENDENT AUDITOR'S REPORT

To Deutsche Post AG

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, and its subsidiaries, which comprise the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity, and the notes to the consolidated financial statements, for the business year from 1 January to 31 December 2012.

BOARD OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of Deutsche Post AG, Bonn, is responsible for the preparation of these consolidated financial statements. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (*"Handelsgesetzbuch"*: German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Management is also responsible for the internal controls as the Board of Management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany) (IDW) and, additionally, observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT OPINION

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of Deutsche Post AG, Bonn, for the business year from 1 January to 31 December 2012. The Board of Management of Deutsche Post AG, Bonn, is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to § 315a (1) HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 18 February 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann	Dietmar Prümm
Wirtschaftsprüfer	*Wirtschaftsprüfer*
(German Public Auditor)	(German Public Auditor)