Integrated worldwide logistics
is our future.

Annual Report 2001

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

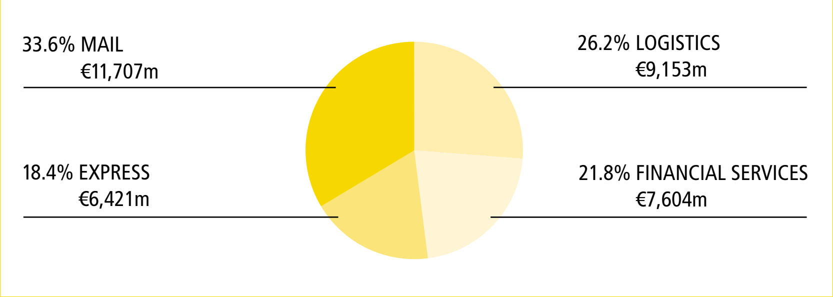
Deutsche Post World Net ranks among the largest and most efficient logistics companies in the world. We offer our customers global mail, express delivery and logistics services, innovative and comprehensive e-business solutions and a wide range of financial services. In our efforts to become the number one global player in the logistics market, we pursue a consistent strategy of growth and internationalization. As a part of this, we build on the performance and commitment of our employees throughout the world. Today, the Deutsche Post World Net banner unites the four high-profile brands Deutsche Post, DHL, Danzas, and Postbank in an integrated services offering. All in all, Deutsche Post World Net is excellently positioned today to take advantage of the opportunities offered by globalization.

Deutsche Post World Net Financial Highlights

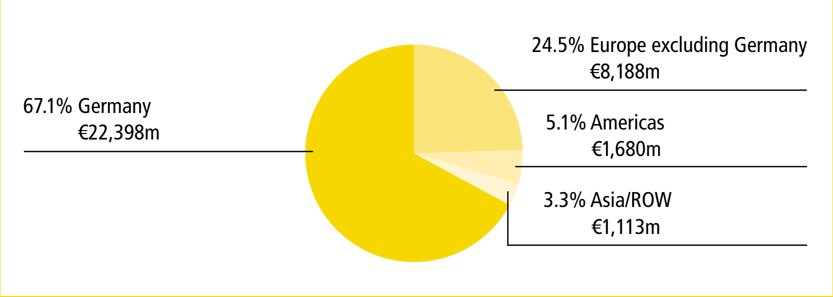
		2001	2000	Change in %
Revenue	in €m	33,379	32,708	2.1
thereof international revenue	in €m	10,981	9,549	15.0
Profit from operating activities (EBITA)	in €m	2,553	2,379	7.3
Return on sales[1]	in %	7.6	7.3	
Net profit for the period	in €m	1,593	1,527	4.3
Cash flow[2]	in €m	3,695	3,479	6.2
Investments	in €m	3,468	3,113	11.4
Equity	in €m	5,353	4,001	33.8
Return on equity before taxes[3]	in %	46.0	62.1	
Workforce as of Dec. 31	Headcount	321,369	324,203	-0.9
Earnings per share	in €	1.42	1.36	4.4
Cash flow per share[2]	in €	3.32	3.13	6.1

[1] EBITA/revenue.
[2] Cash flow I.
[3] Profit from ordinary activities before tax/average equity.

Revenue by corporate division



Revenue by region

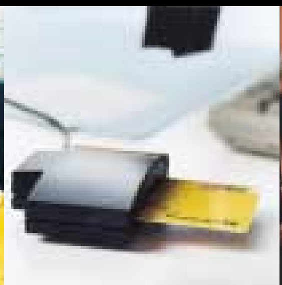


Milestones in 2001

January

The German Government wants to extend Deutsche Post's letter monopoly. Before Christmas, the EU Council of Ministers was unable to reach agreement on how the process of further liberalization should continue. Against this backdrop, the German Federal Minister of Economics sees a need for delaying complete deregulation of the letter market to ensure a level playing field in Europe.

February



Deutsche Post World Net unveils *SIGNTRUST*, its new method of transmitting legally binding documents on the Internet, at the Cebit IT fair. *SIGNTRUST* works by encrypting and electronically signing data.

March

Deutsche Post stock is admitted to the Deutscher Aktienindex (DAX), placing it among Germany's top 30 stocks.

Postbank becomes a member of the Cash Group. In addition to using the Postbank group's 2,200 own cash dispensers, our customers can now also use a total of 5,400 Deutsche Bank, Dresdner Bank, Commerzbank and HypoVereinsbank cash dispensers free of charge.

April

The Post Tower is growing by one floor each week: at 162.5 meters, North Rhine-Westphalia's tallest office building should be finished by mid-2002, when around 2,000 Deutsche Post World Net employees will move into the new corporate headquarters in Bonn.

The first Boeing 757 Special Freighters (B757 SF) join DHL Worldwide Express' fleet with immediate effect. A further 43 of these aircraft, which exceed all international noise and emission standards, will gradually be introduced across DHL's Europe and Africa network.

May

The Company wins a major contract from GZS Gesellschaft für Zahlungssysteme (GZS) to print more than 40 million letters every year. Deutsche Post World Net will receive GZS's print data, then print, envelope and frank the letters before delivering them promptly.

Computer manufacturer IBM splits from its 60 previous distribution partners and instead entrusts the Europe-wide transport of its high-tech equipment to two Deutsche Post World Net companies: Securicor Omega Euro Express collects the assembled computers from IBM's main production site in Scotland and delivers them to the British market; Danzas Eurocargo then transports them to dealers throughout the rest of Europe.

June

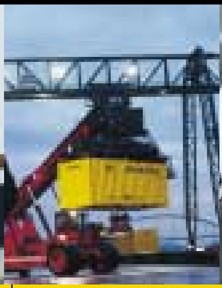
On June 27, 2001 Deutsche Post World Net invited shareholders to attend the first Ordinary General Meeting after its IPO. More than 5,000 shareholders come to the Kölnarena in Cologne to experience the company's progress and performance for themselves.

July

Postbank announces the acquisition of BHF (USA) Holdings Inc., an American bank with total assets of €3.6 billion (December 31, 2001). Its core competencies are corporate finance and commercial real estate loans. By acquiring BHF Holdings, Deutsche Post World Net has created a strategic platform on which to develop its worldwide logistics financing.

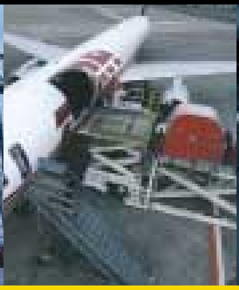
As Germany's supreme decision-making body, the Bundesrat, Germany's Upper House, decides to extend the letter monopoly until December 31, 2007.

August



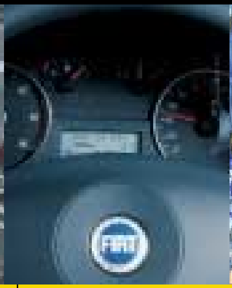
The international health care specialist Roche exclusively engages Danzas to run its transport operations in Latin America. Danzas is now responsible for all air and ocean freight between Roche production sites in Argentina, Brazil and Mexico, and delivers to customers throughout the whole of Latin America.

September



The devastating terrorist attacks in the US on September 11 did not cost the lives of any Deutsche Post World Net employees. After the air traffic ban on flying in the US was eased, Deutsche Post World Net was able to transport its letters and parcels thanks to its preferred relationship with DHL using DHL's US registered freight planes. These were the first planes that were allowed to fly back to the US.

October



DHL Worldwide Express and Postbank cooperate with the Italian automaker Fiat. Their integrated finance and logistics service allows Fiat Auto to optimize its spare parts business.

November

In spite of the difficult global economic situation in the first nine months of 2001, Deutsche Post World Net was able to report revenue and earnings growth. Revenues rose by 4.2% year-on-year to around €24.9 billion, and EBITA rose by 6.3% to around €1.9 billion.

December

Danzas acquires the leading textile logistics firm in the Nordic countries: Scandinavian Garment Service (SGS). In 2000, this company generated revenues of €31.1 million.

Contents

Dear shareholders,

The world has changed since the devastating terrorist attacks of September 11, 2001. The global economy now faces new tasks and challenges. I believe, however, that this also offers us great opportunities because now is the time when the world needs strong companies and courageous entrepreneurs. Deutsche Post World Net is ready to meet these challenges. We have proven before that we can measure up to difficult tasks, because let's be honest: who really believed that we could become a leading international logistics provider in the space of just a few years?

We continued our growth path in 2001, not just in terms of revenue and earnings, but also in the number of customers we serve and in our expertise. That is why, in a year that was dominated by crisis and a weak economy, we again succeeded in generating new record figures with our service offering.

2001 was also "Year One" for Deutsche Post AG following our IPO. I have to say quite frankly that we are not happy with the performance of Deutsche Post share prices, which were unable to escape the unstable situation on the international capital markets that followed the downturn of the global economy.

However, I am certain that for much of 2001, the price of our shares reflected neither the tremendous potential nor the true value of our company. That is why it is still our goal to make sure that the true value of Deutsche Post stock and of our company is captured by the capital markets again. Our 320,000 staff and myself will work hard towards achieving this.

The foundation on which we will be building was strengthened further during the previous year. Despite the overall challenging environment, we were able to continue our positive development. Today we are already offering customers integrated services along the whole length of the logistics chain. Read for yourselves! At the beginning of each chapter in which we will be reporting on one of our four corporate divisions, you will find examples that highlight what we mean by integrated logistics. One-stop shopping, supply chain management and e-business: these are all ideas that have been debated by experts in the field for a long time now. Deutsche Post World Net is giving these concepts a more concrete shape, helping them become reality for our customers and investors. The results speak for themselves.

We have also achieved a great deal in other areas. In particular, the overall environment has become increasingly favorable and secure for us. In the past year, the EU Commission has closed the competition proceedings in the parcels segment and the complaint filed against Deutsche Post World Net by the British Post Office. We see both decisions as a confirmation of our actions. A complaint filed against DHL Worldwide Express by our competitors UPS and FedEx was thrown out by the US Department of Transportation. The US markets can count on us in the future.

By extending our exclusive license and amending the Postumwandlungsgesetz (German Postal Service Transformation Act) and the Postgesetz (German Postal Act), the German government gave some very clear signals. In March 2002, the European Parliament agreed to the amendment of the Postal Services Directive, thus paving the way for future deregulation. The European Council is expected to endorse the Parliament's view. We welcome this development as it will ensure planning reliability and create the prerequisites for fair and free competition in Europe. We will make good use of these opportunities.

All these developments prove that Deutsche Post World Net is on the right path – a path that will bring us closer to our vision. Out of a loss-making national public-sector agency we have created Deutsche Post World Net – a profitable, international Group for global integrated logistics services. We are on the path to becoming the number one global player in the logistics market. Read about it for yourselves: our Annual Report 2001 will give you an impression of our progress.

Our staff from 228 countries and territories and I would like to thank you today for the trust you have placed in our work and our company. I am delighted to recommend a distribution of €412 million for fiscal year 2001, and thus payment of a dividend of €0.37 per share.

Deutsche Post World Net will continue successfully on its growth path. I would like to invite you to accompany us on our journey.

Sincerely,

Dr. Klaus Zumwinkel
Chairman of the Board of Management

Dr. Edgar Ernst
Finance

Prof. Dr. Wulf von Schimmelmann
FINANCIAL SERVICES

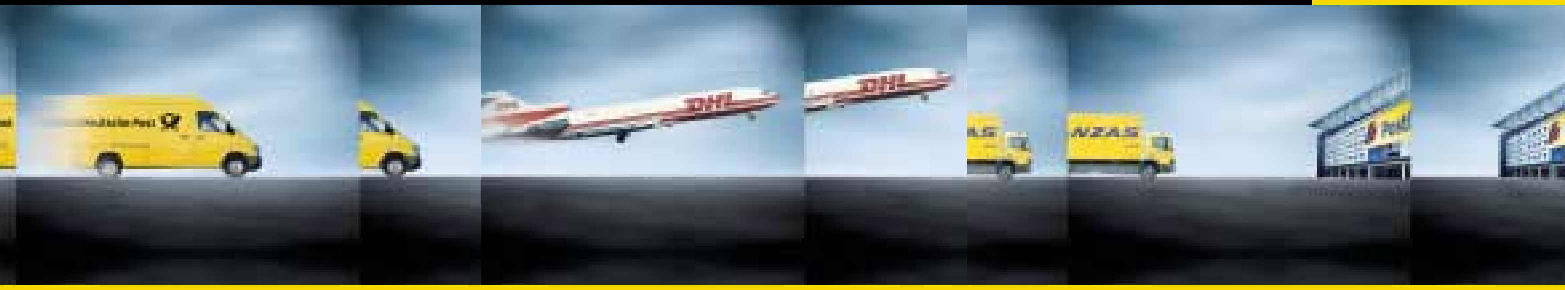
Dr. Peter E. Kruse
EXPRESS (Euro Express), LOGISTICS (from Jan. 1, 2002)

Dr. Klaus Zumwinkel
Chairman of the Board of Management


Walter Scheurle
Personnel
Dr. Hans-Dieter Petram
MAIL
Uwe R. Dörken
EXPRESS (Worldwide Express)

Despite the steep economic downturn in the year following our IPO, we have succeeded in surpassing the revenue and earnings of the record year 2000. In 2001 Deutsche Post World Net became increasingly international and powerful, placing it in an excellent position in the global growth market logistics.

Excellently prepared for the global growth market logistics: Deutsche Post World Net.



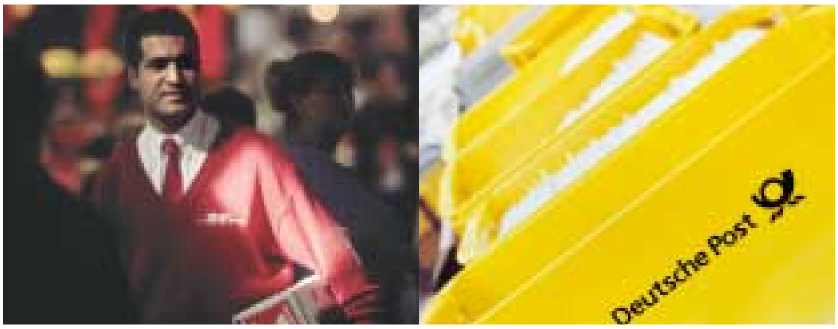
Highlights

2001: Another record year!

Revenue and earnings				
Fiscal year 2001		Total revenue	Profit from operating activities (EBITA)	
	in €m	in %	in €m	in %
MAIL	11,707	33.6	1,960	69.6
EXPRESS	6,421	18.4	176	6.2
LOGISTICS	9,153	26.2	159	5.7
FINANCIAL SERVICES	7,604	21.8	522	18.5
Total for corporate divisions	34,885	100.0	2,817	100.0
Other/consolidation	-1,506	-4.3	-264	-9.4
Group	**33,379**	**95.7**	**2,553**	**90.6**

In the first year since we went public, we managed to improve on our record results for 2000, despite the economic situation. We were particularly encouraged by the above-average performance of our high-potential EXPRESS and LOGISTICS divisions. Here we are beginning to see the fruits of our restructuring and integration work in recent years.

The situation at a glance:
Deutsche Post World Net improved its international position and performance once again in 2001. Foreign revenues climbed further to around €11 billion in the year under review, 15.0% more than the figure for last year (€9.5 billion). This means that the Group now generates 32.9% of total revenues outside Germany, while German mail services now account for a mere 33.6% of revenues and 69.6% of earnings. In other words, we have further reduced our dependence on the regulated mail market.



We continued our systematic transformation from a pure-play postal service provider to a global supplier of integrated logistics solutions in the year under review. The first results of this process can already be seen: our EXPRESS Corporate Division increased revenues by 6.6% and earnings by an impressive 131.6%. Our logistics segment also recorded a clear rise.

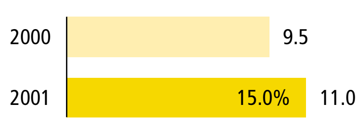
Our strategic focus in 2001 was on integrating our four corporate divisions. We are increasingly overcoming national and divisional boundaries in our day-to-day activities – with excellent results both internally and for our customers. For example, we have set up cross-divisional logistics solutions for internationally operating key accounts with a total order volume of €850 million, and intend to expand this business further in future.

Thanks to its positive development in 2001, Deutsche Post World Net has met its key forecasts for the year.

We intend to enable our shareholders to benefit from our success as well, in the form of an increased dividend of €0.37.

External revenues (in €bn)

International revenues (in €bn)



International revenues (in %)

Economic Environment

Global economic slowdown

2001 was dominated by a slowdown in the global economy, with growth rates in the key economic regions declining from the end of 2000 onwards. The terrorist attacks on New York and Washington on September 11, 2001 further increased the uncertainty surrounding economic developments.

According to the International Monetary Fund (IMF), GDP in the USA rose by a mere 1.0%, as opposed to 4.1% the previous year. The same trend can be seen in exports: although they rose by 9.5% in 2000, they dropped again by 4.6% in the year under review.

In Japan – the main economic barometer for the Asian region – GDP was down 0.3%, in contrast to a 2.4% rise the previous year. Exports were also weak, dropping by 3.5% in 2001 following a 12.1% rise in 2000.

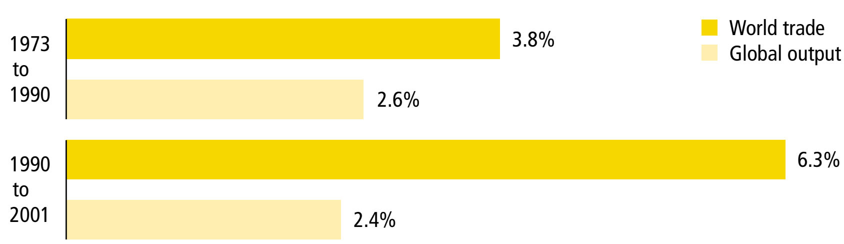
In the euro zone, the economic slowdown that was already visible in the second half of 2000 continued in the year under review. Real GDP rose by 1.5%.

Germany was also impacted by this trend: the economy, which had been on a growth course until fall 2000, visibly lost momentum from the beginning of the year onwards. Growth in GDP dropped from 3.0% the previous year to 0.6% in 2001. While the export trend remained positive, with real growth of 5.1%, the pace of growth has dropped substantially from the 13.2% recorded in 2000.

Uneven market development

In 2001, the transport and logistics markets experienced both positive and negative influences. Growth in world trade is one of the key factors determining growth in the logistics sector. In the past decades, world trade has been growing substantially faster than global output. Increasing globalization is boosting business for transportation and logistics service providers. The accession of China and Taiwan to the World Trade Organization (WTO) in November 2001 is a clear signal that barriers to trade will continue to be dismantled. Despite the poor economic outlook, the trend toward outsourcing – commissioning third parties to supply logistics services – remains unchecked. Increasing cost pressure is leading a growing number of companies to transfer their logistics activities to global service providers. However, the logistics sector, and the air freight business in particular, suffered a severe setback in the wake of the terrorist attacks on September 11, 2001. These events, together with the global economic slowdown which had already started to take hold, served to curb the sector's growth.

World trade and global output*



*Average annual growth in world trade and global output (1973 – 2001).

Stable growth on the mail market

The domestic and international mail market continued its growth in the year under review. Despite the increased use of electronic media, the traditional letter has been able to hold its own as a means of communication. For our business customers, the letter still plays an important part in cementing customer loyalty. Business volume on the domestic mail market increased from €7.7 billion the previous year to €7.8 billion in the year under review.

Paper-based mailing as a method of direct customer contact in Germany has also continued to grow. Nevertheless, growth in the advertising industry slowed down considerably in 2001 with the forecast market volume of the advertising mail, telemarketing and e-marketing segment amounting to €13.3 billion.

In contrast, the international mail market has suffered setbacks since the emergence of the first cases of anthrax infection in the USA that were caused by letters containing anthrax spores. The number of samples sent by post and of direct mail campaigns has declined dramatically, particularly in the USA.

Solid growth against strong competition on the market for courier, express and parcel services

The market for courier, express and parcel services (CEP market) experienced further growth in the year under review. However, the economic downturn did affect market growth in Germany: while revenues on the German CEP market rose by some 6% in 2000, growth of around 5% was recorded in the year under review. Higher fuel and staff costs forced Deutsche Post World Net to raise prices for parcel services in mid-2001. Almost all our competitors subsequently followed our example and raised their prices. Competitive pressures increased, in particular from foreign CEP service providers with considerable financial strength aiming to increase their market presence in Germany.

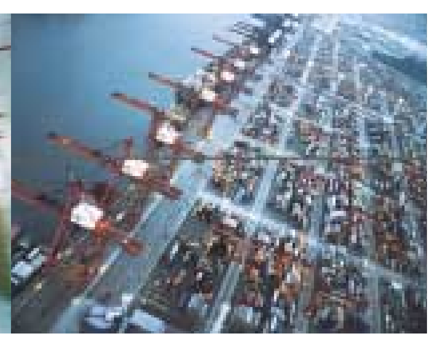
The economic slowdown has further exacerbated competition not only on the domestic CEP market, but also Europe-wide, with growth of around 7% in the year under review. Consolidation on the European market has also increased considerably. This applies in particular to large postal companies such as TPG, La Poste and Consignia.

Growth and concentration in the growth market for logistics

The logistics services market, with a business volume of over €220 billion in Europe alone, is undergoing further consolidation. National and international providers are expanding their reach and areas of expertise by making acquisitions and entering into strategic alliances. The extent of this concentration process is vast: since the early 1990s, the number of logistics service providers in Europe has decreased by around 70%.

As production processes become more complex, so the demands placed on international logistics service providers increase. In order to guarantee the flow of goods, they not only take care of physical transportation, but must also provide a wide range of value-added services, such as the administration of customs and tax matters. The range of expertise necessary for this level of service is generally only available to larger logistics firms, and this is contributing to the process of further consolidation.

The future of this market lies in globalization and supply chain management. The latter consists of customer-specific solutions for end-to-end processes along the logistics supply chain. In the year under review, the market for customer-specific solutions recorded the largest growth rate of any of the segments in the logistics sector. In contrast, intercontinental goods transport performed worse than expected, due to the slowdown in the global economy. The European overland transport market grew only slightly, although the pace of growth is still clearly above that of GDP for the respective countries. As in recent years, there has been substantial pressure on prices, for example from suppliers from low-wage European economies.



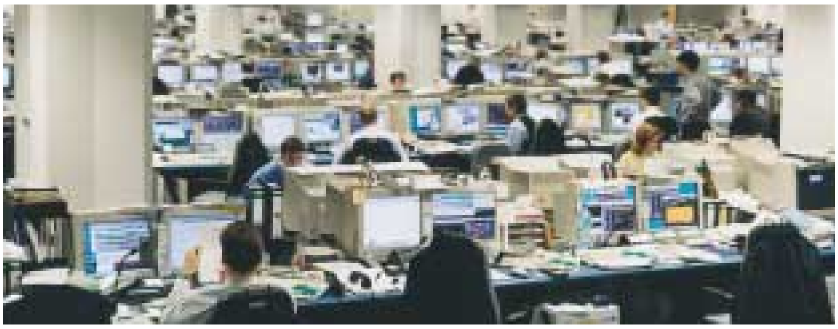
Financial market turmoil, cost pressure and consolidation in the banking sector

2001 was not a good year for the stock markets. Stock market prices fell from one low to the next.

The sliding prices unsettled the majority of investors, who became increasingly unwilling to invest in shares and fund products. Commission-based securities trading at banks suffered as a result. The steady fall in interest rates throughout the year hit margins from interest-based business. This saw earnings from retail business collapse at the large banks, and even losses in some cases.

The economic slowdown led to larger loan write-downs in corporate banking. Overall, the investment business declined, with the banks' issuing business more or less grinding to a halt. Against this backdrop, operating income fell considerably on the previous year's figures. The banks have reacted by introducing cost-cutting programs, streamlining their sales organizations in order to improve efficiency, and shedding large numbers of jobs.

In this economic environment, the pressure on financial service providers in Germany to consolidate increased still further. In some cases, former competitors are now cooperating in order to boost earnings, as in the case of the merger announced between the three mortgage bank subsidiaries of Deutsche Bank, Dresdner Bank and Commerzbank. In other cases, mergers were aimed at expanding service portfolios, leveraging the existing customer base and opening up new sales channels. This applies in particular to the takeover of Dresdner Bank by Allianz.



Business Developments

Further rise in revenue and earnings

Total revenue by corporate division	2001 in €m	2000 in €m	Change in %
MAIL	11,707	11,733	-0.2
EXPRESS	6,421	6,022	6.6
LOGISTICS	9,153	8,289	10.4
FINANCIAL SERVICES	7,604	7,990	-4.8
Total for corporate divisions	34,885	34,034	2.5
Other/consolidation	-1,506	-1,326	
Group	**33,379**	**32,708**	**2.1**

Profit from operating activities (EBITA) by corporate division	2001 in €m	2000 in €m	Change in %
MAIL	1,960	2,004	-2.2
EXPRESS	176	76	131.6
LOGISTICS	159	113	40.7
FINANCIAL SERVICES	522	505	3.4
Total for corporate divisions	2,817	2,698	4.4
Other/consolidation	-264	-319	
Group	**2,553**	**2,379**	**7.3**

In fiscal year 2001, Deutsche Post World Net increased its revenue by 2.1% to €33.4 billion. Not including the interest-rate related revenues of the FINANCIAL SERVICES Corporate Division, the revenues of the MAIL, EXPRESS and LOGISTICS Corporate Divisions rose by a total of 4.7%. The share of revenue generated abroad in the year under review amounted to 32.9%, and international revenues increased 15.0% year-on-year. This clearly shows that the Group has continued to pursue its internationalization strategy. 74.6% of foreign revenue was attributable to the rest of Europe (excluding Germany), while 25.4% was generated outside Europe.

We beat our record results for 2000 not only in terms of revenue, but also for our profit from operating activities (EBITA), which rose by €174 million or 7.3% to €2,553 million. In particular, the EXPRESS and LOGISTICS Corporate Divisions recorded substantial rises in profits.

Goodwill amortization of €171 million, up €27 million year-on-year, reduced earnings. This was largely due to the first-time full-year consolidation of the companies acquired in the previous year.

The profit from operating activities (EBIT) after the deduction of goodwill amortization amounted to €2,382 million in 2001. This corresponds to an increase of €147 million or 6.6% as against 2000.

The financial result declined by €32 million year-on-year to a net financial loss of €229 million. This includes the loss from associates, and for the most part, interest expenses. The net profit for the year after financial result and taxes amounted to €1,593 million, growing 4.3% year-on-year. The (basic) earnings per share for fiscal year 2001 are €1.42 (up 4.4%). Further information on the individual income and expense items is presented in the Notes.

MAIL

Despite the weak economy, at €11.7 billion the MAIL Corporate Division was able to maintain its revenue level. Core services provided by this corporate division include the transport and delivery of written communications by three business divisions: Mail Communication, Direct Marketing and Press Distribution.

Despite the partial access to services required by the regulatory authority, allowing major customers and competitors access to parts of our networks, and the economic slowdown revenue from Mail Communication, the strongest business division, remained at a high level. We were able to generate further revenue potential from new product-related services.

At €1,960 million, the profit from operating activities (EBITA) remained at last year's positive level despite the difficult economic environment. Operating expenses before depreciation and amortization increased slightly on account of a 1.2% rise in operating expenses in line with the general increase in prices.

EXPRESS

The EXPRESS Corporate Division increased its revenue in the year under review by €0.4 billion to €6.4 billion, although competition on all markets served by its three business divisions has increased. These business divisions are: Express Germany (domestic parcel services), Express Europe (European parcel services) and Global Mail (international mail logistics).

The revenues recorded by all three business divisions increased in 2001. For example, Express Europe was up by 10.0% year-on-year, while Global Mail recorded a considerable 20.4% rise. This was due mainly to the initial consolidation of companies acquired in the previous year, as well as the rise in average prices payable to us under the "REIMS II" agreement as a result of the high quality of our services.

Earnings growth was particularly impressive at 131.6%. Due to the first-time inclusion of compensation unusual in the competitive environment as infrastructural charges for the MAIL Corporate Division, profit from operating activities (EBITA) rose to €176 million. Other contributing factors were pricing and cost management in the Business Division Express Germany as well as positive developments in revenue and expenses in the Business Division Global Mail.

LOGISTICS

The LOGISTICS Corporate Division also recorded another increase in revenue. The globally operating Danzas group, comprising the Solutions, Intercontinental and Eurocargo Business Units, provides end-to-end supply chain solutions. These include tailor-made logistics solutions, international air and ocean freight, project forwarding and European overland transport.

Revenues recorded by the corporate division rose by 10.4% to €9.2 billion, from €8.3 billion in 2000. Besides additional acquisitions, this encouraging development was due to organic growth.

In 2001, the LOGISTICS Corporate Division further optimized its workflows and processes and successfully generated new business. Although this corporate division was particularly hard hit by the economic downturn and the terrorist attacks on September 11, it was able to increase its profit from operating activities (EBITA) by 40.7%, from €113 million to €159 million. The reasons for this increase include our flexible adjustment to changing market conditions and the realization of synergies gained from the integration of ASG and Nedlloyd ETD in the previous year.

FINANCIAL SERVICES

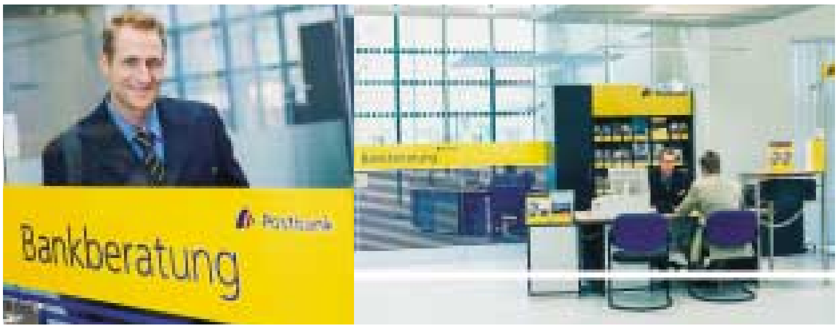
Postbank provides its customers with the full range of state-of-the-art financial services, from payment transactions through loans and investment to insurance.

At €7.6 billion, revenues from the FINANCIAL SERVICES Corporate Division were slightly down on the previous year's figure of €8.0 billion. This drop of 4.8% is due to lower money market interest rates and lower average total assets. Postbank in its merged form can now afford to increasingly withdraw from the policy of money market and capital market transactions which both Postbank and DSL Bank as individual institutions had no option but to follow in the past.

The corporate division recorded a profit from operating activities (EBITA) in the amount of €522 million, up €17 million or 3.4% on last year's result. Postbank continued its strict cost management and further improved and expanded its offering.

Healthy net assets and financial position

Comparative figures for the previous year as of December 31, 2000 have been added to the consolidated balance sheet in order to help explain the net assets and financial position. The net assets and financial position as of December 31, 2001 are as follows:



Assets/Equity and liabilities

	Dec. 31, 2001		Dec. 31, 2000		Change on previous year	
Assets	**in €m**	**in %**	**in €m**	**in %**	**in €m**	**in %**
Noncurrent assets						
Intangible assets	1,787	1.1	1,482	1.0	305	20.6
Property, plant and equipment	8,395	5.4	8,987	6.0	-592	-6.6
Long-term investments						
Investments in associates	1,108	0.7	459	0.3	649	141.4
Other long-term investments	1,014	0.6	153	0.1	861	562.7
	12,304	**7.8**	**11,081**	**7.4**	**1,223**	**11.0**
Current assets						
Inventories	163	0.1	169	0.1	-6	-3.6
Receivables and other assets	4,834	3.1	6,697	4.4	-1,863	-27.8
Receivables and investment securities from financial services	135,904	86.7	128,577	85.6	7,327	5.7
Current financial instruments	39	0.0	32	0.0	7	21.9
Cash and cash equivalents	1,966	1.3	1,906	1.3	60	3.1
	142,906	**91.2**	**137,381**	**91.4**	**5,525**	**4.0**
Deferred tax assets	**1,491**	**1.0**	**1,818**	**1.2**	**-327**	**-18.0**
Total assets	**156,701**	**100.0**	**150,280**	**100.0**	**6,421**	**4.3**
Equity and liabilities						
Equity						
Issued capital	1,113	0.7	1,113	0.8	0	0.0
Reserves	2,657	1.7	1,376	0.9	1,281	93.1
Consolidated net profit	1,583	1.0	1,512	1.0	71	4.7
	5,353	**3.4**	**4,001**	**2.7**	**1,352**	**33.8**
Minority interest	**75**	**0.0**	**79**	**0.0**	**-4**	**-5.1**
Provisions						
Provisions for pensions and other employee benefits	6,627	4.2	6,720	4.5	-93	-1.4
Tax provisions	1,311	0.8	1,352	0.9	-41	-3.0
Other provisions	3,033	2.0	3,035	2.0	-2	-0.1
	10,971	**7.0**	**11,107**	**7.4**	**-136**	**-1.2**
Liabilities						
Financial liabilities	2,308	1.5	2,413	1.6	-105	-4.4
Trade payables	2,404	1.5	2,600	1.8	-196	-7.5
Liabilities from financial services	131,532	84.0	125,370	83.4	6,162	4.9
Other liabilities	4,058	2.6	4,710	3.1	-652	-13.8
	140,302	**89.6**	**135,093**	**89.9**	**5,209**	**3.9**
Total equity and liabilities	**156,701**	**100.0**	**150,280**	**100.0**	**6,421**	**4.3**

The Group continued to grow in fiscal year 2001, as can be seen for example from the increase in total assets by 4.3% or €6,421 million to €156,701 million (previous year: €150,280 million).

Noncurrent assets increased by 11.0% or €1,223 million to €12,304 million. Intangible assets increased by 20.6% or €305 million, mainly as a result of the reversal of the negative goodwill for the Deutsche Postbank group. In addition, long-term investments increased year-on-year by a total of €1,510 million, due to the increase in our investment in DHL International Limited (DHLI) and loans granted to this associate.

Receivables and other current assets fell by 27.8% to €4,834 million. This decline was due primarily to the reclassification of collection documents and the elimination of the currency translation adjustments, as hedges are now carried on the balance sheet under receivables and investment securities from financial services in accordance with IAS 39 (new accounting standard). Consequently, also in line with the expansion in business volumes, the receivables and investment securities from financial services attributable to the Deutsche Postbank group increased by 5.7% or €7,327 million. Current financial instruments and cash and cash equivalents within the Group both increased year-on-year. National and international cash pools are used for cash surpluses in order to optimize costs.

Deferred tax assets relate in particular to tax loss carryforwards at Deutsche Post AG and the Deutsche Postbank group. While deferred tax assets on loss carryforwards decreased by €540 million especially due to the reduction of loss carryforwards by €441 million at Deutsche Post AG, deferred tax assets on temporary differences rose by €213 million, attributable for the most part to the first-time application of IAS 39 by the Deutsche Postbank group. Overall, deferred tax assets decreased by 18.0% or €327 million.

Equity rose substantially by 33.8% or €1,352 million, from €4,001 million the previous year to €5,353 million. This development is due primarily to the increase in retained earnings. Minority interests decreased by a total of 5.1% or €4 million.

Provisions dropped from €11,107 million to €10,971 million. Liabilities from financial services attributable to the Deutsche Postbank group rose by €6,162 million. Financial liabilities fell by 4.4% to €2,308 million. Overall, liabilities increased by €5,209 million in line with total equity and liabilities.

Total equity and liabilities demonstrate that funding of total assets is sound. At the end of the fiscal year, Deutsche Post World Net has once again improved its asset and capital structure. The ratio of equity to noncurrent assets amounted to 43.5%. The Group's continued growth is assured by its balanced equity-debt mix, and the figures given above reinforce the Group's substantial financial strength.

Our current cash reserves and existing bank credit lines amounting to €3,058 million (5.0% of which had been drawn down at the end of the year) mean that we have sufficient funds to finance both the organic growth we are aiming for and our planned investments.

Strong cash flow

The key elements of the cash flow statement have been summarized below in order to explain the financial position (Postbank at equity).*

Cash flow statement

	Dec. 31, 2001 in €m	Dec. 31, 2000 in €m
Net profit before taxes	2,018	1,974
Gains on disposal of noncurrent assets	-144	-161
Depreciation and amortization expense	1,162	1,086
Non-cash income and expenses	-156	-291
Net interest income	148	175
Net profit before changes in working capital/Cash flow I	**3,028**	**2,783**
Net cash from operations/Cash flow II	**2,797**	**2,386**
Net cash from operating activities/Cash flow III	**2,593**	**1,915**
Net cash used in investing activities	**-2,020**	**-2,134**
Net cash used in (previous year: net cash from) financing activities	**-492**	**236**
Cash and cash equivalents at Dec. 31	**594**	**513**

The cash flow statement reveals the cash flows in the year under review and hence the source and application of cash and cash equivalents. To do this, the company's investing activities are compared with the source of the funds used for this purpose. The cash flow calculation is adjusted for the effects of currency translation and changes in the companies consolidated. Cash flow I from operations is determined by adjusting the net profit for the year before taxes for non-cash items.

* The complete consolidated financial statements including the Deutsche Postbank group accounted for at equity can be found at the end of this Annual Report.

Cash flow I improved as against the previous year by 8.8% to €3,028 million. This rise is largely due to the increase in net profit before taxes (up €44 million on the previous year to €2,018 million).

In the case of working capital, a cash inflow was recorded in the year under review for receivables and other current assets (previous year: cash outflow). This meant that Cash flow II (Cash flow I adjusted for changes to working capital) was up €411 million on the figure for the previous year, at €2,797 million.

Lower interest and tax payments led to a rise in net cash from operating activities (Cash flow III) of €678 million to €2,593 million.

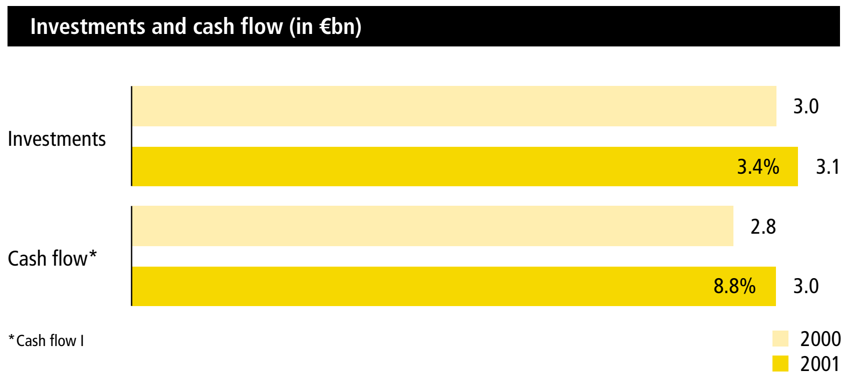
Net cash used in investing activities in the year under review amounted to €2,020 million, as against €2,134 million the previous year.

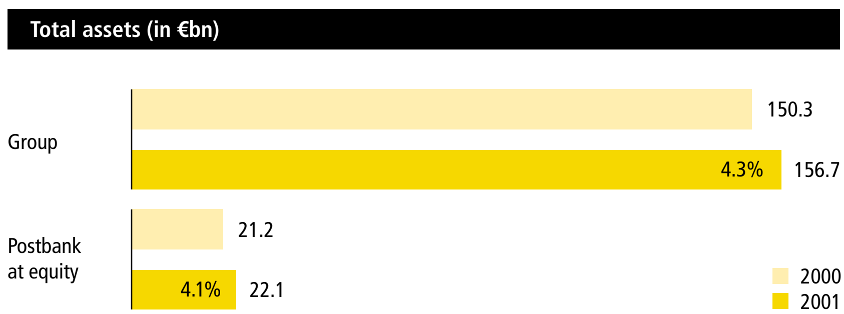
The Group generated proceeds from the disposal of noncurrent assets in the amount of €1,031 million, as opposed to €818 million the previous year.

€3,051 million (previous year: €2,952 million) was spent on investments in noncurrent assets. Of this figure, €919 million resulted from the acquisition of companies, and in particular from the acquisition of additional shares in DHLI amounting to €797 million, which are treated within the Group as investments in associates. The acquisitions were financed from cash flow. €2,132 million (previous year: €1,705 million) was spent on investments in other noncurrent assets.

The cash flow from financing activities consists of borrowings and loan repayments as well as the dividends distributed. The net cash outflow in the year under review amounted to €492 million, following a cash inflow of €236 million the previous year. The main reason for the difference as against 2000 is the increased level of debt repayment which, at €527 million, was up €360 million on the previous year's figure.

All in all, the cash inflows and outflows described produced cash and cash equivalents at the end of the year in the amount of €594 million. This figure is €81 million up on that for the previous year. At the same time, the Group was also able to increase its internal financing resources.





Increased dividend

The Board of Management has proposed a dividend distribution of €412 million for fiscal year 2001 which corresponds to a dividend of €0.37 per share (previous year: €0.27 per share). The dividend distribution will thus be within the range envisaged at the time of our IPO of 25 to 30% of consolidated net profit.

Group procurement

Deutsche Post World Net has minimized its dependency on individual suppliers by spreading supply contracts across a wide range of suppliers and by concluding agreements accordingly. One significant cost factor for us is the purchase of fuel to run the vehicles in our fleet. Fuel prices fluctuated considerably during 2001, although average prices remained constant. At the end of the year under review, Deutsche Post World Net concluded contracts with the major fuel producers for the procurement of fuel in Europe.

Slight decrease in workforce

Change in workforce by corporate division

	Dec. 31, 2001	Dec. 31, 2000	Change in %
MAIL	137,130	140,613	-2.5
EXPRESS	47,456	46,612	1.8
LOGISTICS	45,036	43,253	4.1
FINANCIAL SERVICES	11,245	11,299	-0.5
Other (including retail outlet branches)	35,368	36,928	-4.2
Total as of Dec. 31*	**276,235**	**278,705**	**-0.9**
Number of employees within the Group (total workforce including trainees)	321,369	324,203	-0.9

* Calculated as FTEs, without trainees.

As of December 31, 2001 the Group employed a total of 276,235 full-time employees (previous year: 278,705). In the MAIL and FINANCIAL SERVICES Corporate Divisions, we were able to further reduce the number of employees on the previous year. By contrast, there was an increase in the number of employees in LOGISTICS due to our acquisitions in that corporate division. The workforce in the EXPRESS Corporate Division also increased.

Corporate Strategy

Pressing ahead with corporate integration

In recent years, Deutsche Post World Net has taken to heart its customers' desire for globalization, a wider product range and value-added services, fulfilling this demand by implementing a strategy of targeted acquisitions, both in Europe and worldwide. This has enabled us to create a global platform for the services we provide. As part of our long-term corporate strategy, we are now concentrating on leveraging the full potential to be gained from close cooperation between all our corporate divisions. We will

- make the most of our customer base by offering our customers products and services across all divisions (cross-selling),
- realize new business potential by developing innovative services for our customers and presenting ourselves as *the* single point of contact for all logistics issues (one-stop shopping),
- realize synergies through the combination of services and service functions across divisions,
- enter into new partnerships, make targeted acquisitions and further develop our service portfolio as appropriate.

Using cross-selling to leverage our customer base

Deutsche Post World Net has more than 5 million business customers worldwide: 100,000 in the LOGISTICS Corporate Division, 260,000 in EXPRESS, 3.3 million in the MAIL Corporate Division and more than 380,000 business customers in FINANCIAL SERVICES. In addition, DHL will bring another million business customers. Taken together, this represents an enormous customer base which can be leveraged to generate new business.

We are now creating processes and structures within the Group which will support the exchange of information across divisions and accelerate cooperation throughout the whole Group. This will allow the customer base of one corporate division to be utilized by the other divisions. The good customer relationships in the divisions, built up over years, are an ideal starting point for this. All corporate divisions will benefit from the growth potential offered by this cross-selling approach.

Growth through one-stop shopping

Integration of our four corporate divisions was our strategic focal point for the year. More and more, we are transcending national and inter-divisional boundaries in our day-to-day cooperation – with outstanding results. Equally, though, our customers are also demanding integration. In this area, we see great business potential which can only be realized by ensuring a wide range of services and intensive cooperation between our corporate divisions.

We offer our customers improved quality, a flexible service range, simplified processes and, as a result, significant cost savings.

This Annual Report features a number of projects illustrating this strategy, detailed descriptions of which can be found in the introductions to the reports on our corporate divisions. They show that by offering a complete single-source logistics package – one-stop shopping – growth can be generated for the Group.

Realizing synergies through combined services and service functions

Close cooperation between all of our corporate divisions allows us to generate new business while making considerable cost savings. Within the Group, we operate a dedicated property management program: office space, warehouses and, where appropriate, sorting infrastructures are used jointly by the different divisions, and transport capacities are being optimized worldwide.

One example of this joint use of transportation is Danzas' "Parcel Intercity", a high-speed freight train which not only transports logistics shipments, but also consignments for our domestic parcel service and the MAIL Corporate Division. Cooperation between Express Germany and DHL has also increased. Consignments are collected by DHL domestically, enter our domestic parcel distribution network and are delivered to the recipient in Germany at the date and time agreed.

In addition, we have been able to realize synergies by combining and optimizing service functions: in Personnel, for example, workflow restructuring in areas such as health management has led to a considerable increase in process efficiency.

As part of Group-wide liquidity management, external bank liabilities and receivables have been eliminated and replaced by a system of internal Group financing. This is achieved, for example, by granting loans and creating local cash pools. During the year under review, the eurozone countries and the Nordic and Baltic states were integrated into our Group-wide cash management system.

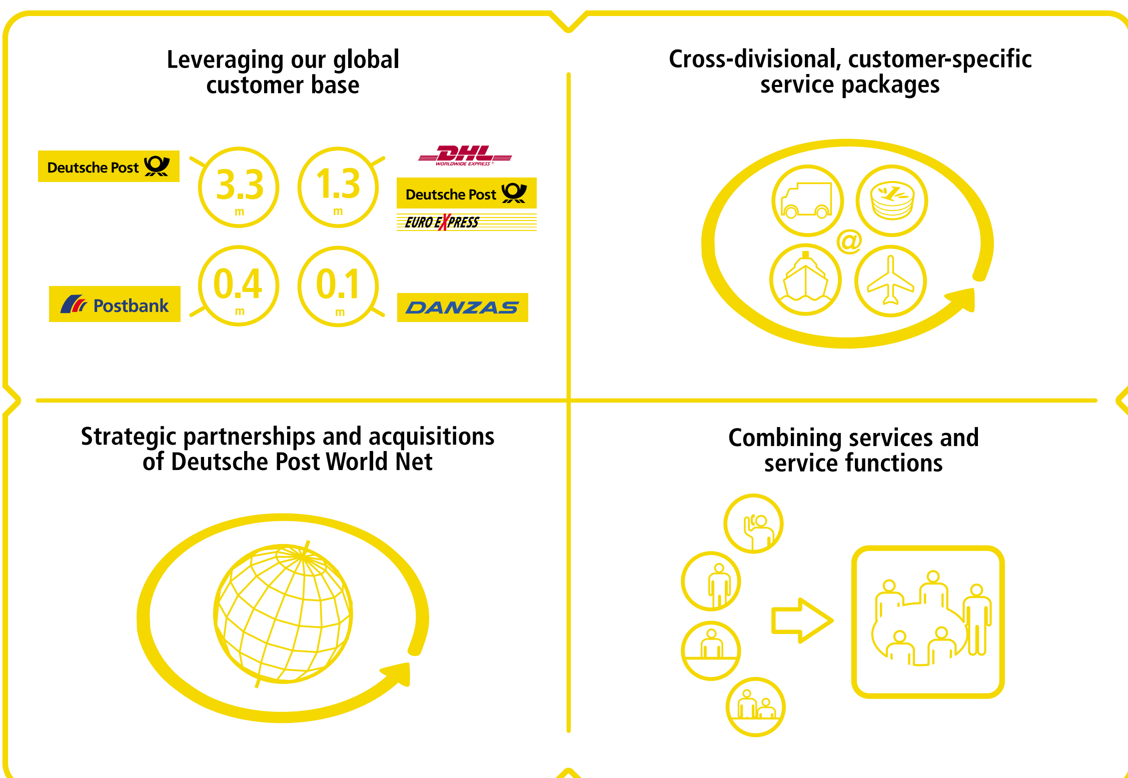
Developing the service portfolio

More than anything, it is the targeted acquisitions made in recent years which have helped us on our way to becoming a global leader in the field of logistics. During the year under review we again expanded our service portfolio:

- We enhanced the efficiency and global presence of Danzas through various acquisitions and joint ventures, primarily in South America and Asia.
- The acquisition by the FINANCIAL SERVICES Corporate Division of BHF Holdings Inc. in the USA increased our international expertise in the financing of logistics projects. In addition, we acquired DVB Processing GmbH, thus strengthening Postbank's position as a payments specialist.

One example of our portfolio streamlining is the sale of Deutsche Post Wert Logistik GmbH specializing in the secure transport of high-value goods such as jewelry. On July 1, 2001, Deutsche Post Wert Logistik GmbH was transferred to our UK partner, the Securicor group.

Leveraging new business platforms



Environmental Report

Environmental protection: a Group-wide responsibility

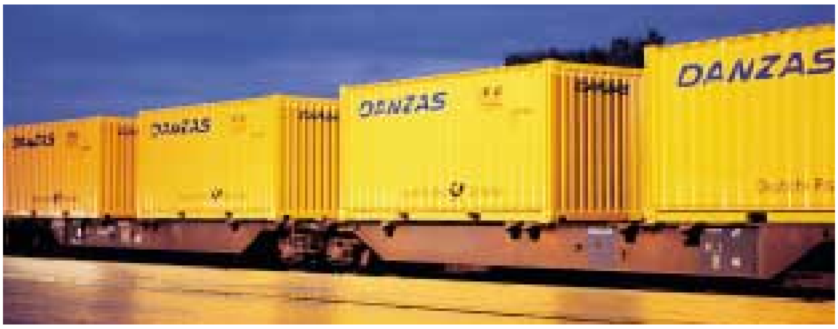
Deutsche Post World Net is aware of its responsibility for environmental protection and sustainable development. We aim to improve our environmental protection processes, to increase resource efficiency, and to consider economic, social and environmental aspects equally in the course of conducting our business. We are already working toward these aims, and have had particular success in the area of transport:

- For our overnight airmail network we only use quiet, noise-certified aircraft.
- The majority of the vehicles in our fleet already comply with the Euro 2 and Euro 3 exhaust gas emissions standards.
- By the end of 2002, our "Parcel Intercity" project, in collaboration with Deutsche Bahn, should result in 100,000 fewer truck journeys every year through the use of rail transport.

We have already set up comprehensive environmental management systems, certified under DIN ISO 14001, in important areas of our logistics activities. In the medium term, we aim to expand this certification to include the Business Divisions Express Germany and Express Europe.

To make our business activities even more environmentally friendly, we are optimizing our routes to reduce deadhead trips, limiting the number of night flights, ensuring ecologically sound facilities management, and using recyclable material for packaging.

Deutsche Post World Net is committed to keeping its shareholders, its customers and the public informed about its environmental activities on a regular basis. We hope to produce a separate environmental report for the first time in 2003. In 2001, the Group created the Policy and Environment Corporate Department in order to manage these measures effectively.



Research & Development

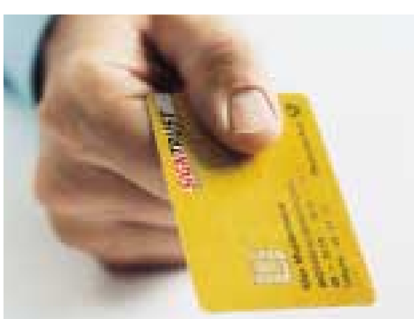
Innovative products and services

Service providers usually have no need for research and development in the narrower sense. However, Deutsche Post World Net continued to develop innovative products and services for its customers in the past fiscal year.

SIGNTRUST turns the Internet into a secure platform for signing contracts and the settlement of financial services, using data encryption and electronic signature technology.

Deutsche Post World Net is the first European postal company to introduce "PC franking", which allows our customers to frank their mail using their own PC. At the Munich Corporate Media Competition, this concept won the best-of-breed award, the "Master of Excellence 2001", and our PC franking software *STAMPIT* won the "Award of Master". To date, of the 14 patents applied for, four have been granted.

Thanks to *PACKSTATION*, customers are no longer dependent on inflexible parcel delivery times. They specify a convenient place for the parcel to be delivered and can collect it from a machine there, 24 hours a day, 7 days a week. This service has been tested at 24 locations in Dortmund and Mainz since November 2001.



Risk Report

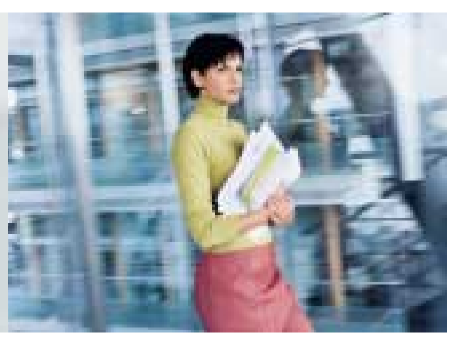
Risks from future developments

Deutsche Post World Net employs a uniform method of documenting risks throughout the Group, with responsibility devolved to the individual business and corporate departments and subsidiaries. All these business units are obliged to update their forecasts on a quarterly basis. Potential risks are inventoried by each business unit once a year, and this information forms the basis for our ongoing systematic risk management. The Board of Management receives a twice-yearly report on the major opportunities and risks within the Group. In fiscal year 2001, the risk management system was the subject of internal auditing, and was also examined for its suitability as part of the external audit of the annual financial statements.

Deutsche Post World Net does not currently consider itself at significant risk from macroeconomic factors. The increasing internationalization of our business activities increases our vulnerability to economic fluctuations in our main markets, but minimizes our dependence on individual markets.

There are various sector risks for our four corporate divisions:

Significant risks arise from the special regulatory framework governing the mail market. The EU Directive on competition in the European postal market provides for an upper weight limit of 350g for mail whose transportation can be reserved for traditional postal companies. In accordance with the Postgesetz (German Postal Act), the scope of the exclusive license which is scheduled to lapse at the end of 2007 is much narrower and more restrictive. Furthermore, the Postal Act allows exceptions, on the basis of which competitors in the local post segment are permitted even within the boundaries of the exclusive license.



The resulting competitive pressure can be seen from the more than 4,200 licenses issued by the regulatory authority to over 1,000 licensees. Further liberalization of the postal market in the European Union is currently under discussion. At present, a reduction of the weight limit stipulated by the EU Postal Services Directive to 100g as of 2003 and 50g as of 2006 seems realistic. This opens up additional business opportunities for Deutsche Post World Net on the European mail markets. As yet, no agreement has been reached at the political level on a concrete deadline for full deregulation. The prices of services falling under the exclusive license have been approved until December 31, 2002. The possibility of future approval procedures leading to lower tariffs cannot be ruled out.

EU Council of Ministers' proposed rollback of monopoly areas

	Letters	Addressed advertising mail
Current regulation in Germany until Dec. 31, 2007	200g	50g
Current EU Directive	350g	350g
EU proposal: Jan. 1, 2003*	100g	100g
EU proposal: Jan. 1, 2006*	50g	50g
EU proposal: by Dec. 31, 2006	Prospective study** and proposal of European Commission	
EU proposal: Dec. 31, 2007	Decision by European Parliament and Council of the European Union on "decisive" step	
EU proposal: Jan. 1, 2009	Decisive step, if approved	

* For outgoing cross-border mail, the limit will in principle be 0g. Exceptions (as of 2003: 100g, as of 2006: 50g) are possible if certain market sectors in individual countries have already been deregulated, or in the case of situations specific to member states.
** Estimate of the effect of complete deregulation as of 2009 on the universal service in each member state.

Due to strong growth in electronic media, we expect losses through substitution in the mail segment. To a large extent we will be able to contain these losses through advertising campaigns promoting mail communication, an attractive product range and high-quality sales activities.

Furthermore, customers and competitors may obtain partial access to our networks. Access and other conditions have been determined by the regulator.

Competition in express and logistics markets has heated up, particularly in Europe. Nevertheless, continued globalization and stronger world trade present further growth opportunities. As Deutsche Post World Net has sufficient critical mass, we will emerge from this competitive environment stronger than before.

In the financial services market, we distinguish between credit risk, market price risk and operational risk. Postbank uses standard hedging instruments to offset bank-specific risks. Liquidity risk is monitored in accordance with the provisions laid down by the German Banking Act and the Federal Banking Supervisory Authority (BAKred). Compliance with specified limits is monitored daily. A risk system for operational risks is currently being established at

Postbank which will also take into account the future requirements set out in the second consultation paper of the Basle Committee ("Basle II").

As a Group, we are predominantly active in the services sector, and so have no primary marketing or production risks. Our domestic sorting centers for letters and parcels are constantly and systematically monitored to prevent business interruptions. In addition, we have contingency plans to ensure continued production even in the event of shutdown at a facility, as seen in the recent cases of alleged anthrax-laced letters in Germany.

Our procurement activities are not dependent upon individual suppliers. Where possible and economically justifiable, we spread contracts across suppliers, and continuously analyze terms and supply relationships.

Financial risks arising from interest rate, currency, market, liquidity and cash flow trends are at most of secondary importance for the Group's primary financial instruments. The vast majority of these financial instruments are attributable to the Deutsche Postbank group.

In the course of its other operating activities, Deutsche Post World Net is exposed to interest rate and currency risks in particular. In order to limit these risks, we operate a program of financial management using standard derivative instruments. The nominal volume of interest rate and foreign currency hedging transactions at December 31, 2001 was €1,184 million.

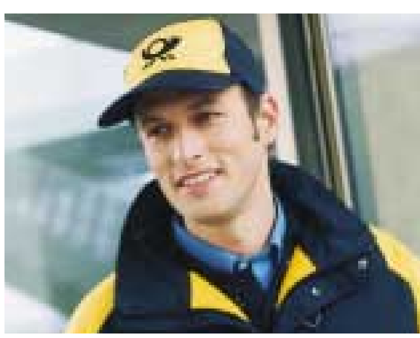
Several cases are currently pending before the European Commission in which potential violations of European competition and state aid legislation are being investigated. These present legal risks for the Group.

During the competition proceedings relating to accusations of excessive postage prices, we presented detailed evidence of the reasonableness of our prices. As regards the state aid proceedings against the Federal Republic of Germany relating to accusations of cross-subsidization of the parcel business by the mail sector, both the Federal Government and the company consider the accusations to be unfounded. However, in the competition proceedings the imposition of a fine by the European Commission cannot be ruled out, and in the state aid proceedings, the Commission could call for the repayment of state aid to the Federal Government although such a demand for repayment is highly unlikely. The outcome of the proceedings could have a material adverse effect on the financial position and results of operations of the Group.

The use of modern hardware and software reduces the risk of disruption to our information technology (IT) systems. In addition, we have established a specific IT security management structure whose bodies and functions are described in detail in a manual. Corresponding measures are in place to ensure the availability of computer systems and networks, and data backups.

A significant part of our successful Group restructuring can be put down to the efforts of our employees. We are adapting to the intensely competitive international market for managers and highly skilled professionals by creating corresponding remuneration and incentive programs.

We do not expect asset or liquidity issues to pose a threat to the continued existence of the Group. This can be seen from our high earnings capacity and positive cash flow development. Likewise, our diversified range of services and our large global customer base in particular mean that there is no overall risk to the Group's existence in the foreseeable future.




Supplementary Report

Events after the close of the fiscal year

Business developments

We have carried out internal restructuring in key areas. Since January 1, 2002, the marketing, sales, production procurement, financial control and IT functions for our commercial parcel service have been handled by a new subsidiary. Production (collection, transport, sorting and delivery) remains the responsibility of the parent company, Deutsche Post AG. In particular, this new structure strengthens the sales activities of our commercial parcel service: the independent, lean marketing and sales organization can now operate more effectively and with greater customer orientation.

On January 1, 2002, our information technology activities were also transferred to a separate company. This wholly-owned subsidiary with a staff of around 1,000 IT specialists is responsible for the development and provision of IT services within the Group. The company's creation has not only led to an increase in productivity in the area of information technology, but has also made us more attractive as an employer of high-grade, internationally oriented IT specialists.

Outlook

Economy as a whole

Deutsche Post World Net is assuming that the difficult global economic situation will continue in 2002, and predicts that German gross national product will grow by 0.9%. Forecasts for the EU are slightly more positive, with growth in economic output expected to be 1.1%. Global GDP (gross domestic product) is expected to grow by 2.3% and world trade by 1.5%.*

Industry development

Both the regulatory environment and the state of the economy will have a pronounced influence on the future development of the European mail market. The next stage in the development of the European regulatory framework is currently being mapped out by the amendments to the EU Postal Services Directive. Further steps toward deregulation – the lowering of weight limits – are expected in 2003 and 2006 (see also the Risk Report). Overall, assuming continued economic weakness in 2002, moderate growth in the mail market is expected. Economic developments and world political events in the wake of September 11, 2001 also left their mark on the market for courier, express and parcel services. On the CEP market, we are expecting market growth in 2002 of 3% in Germany and 7% throughout Europe.

During times of economic turmoil, the market for customer-specific logistics solutions will also profit from the trend toward outsourcing. However, air freight markets will only return to pre-September 2001 levels in the medium term. We also expect that developments in the market for European overland transport will more or less track economic growth.

Given the muted forecasts for both national and international levels, the economic development of the financial services sector will be dominated by slow financial market recovery and by several other issues: pressure to cut costs, consolidation and full-service and multi-channel strategies. Additional factors include the still unclear effects of the EU ruling on Sparkassen (German savings banks), Basle II, the Riester pension products and the conversion to the euro.

*Deutsche Bank, Global Markets Research, January 2002.

Business developments

In 2002, Deutsche Post World Net's business will continue to record positive growth.

At a Group level, we are expecting strong revenue growth, due primarily to the first-time consolidation of DHLI.

In view of the current strains on the economy as a whole, it will be difficult to top 2001's record earnings.

Corporate divisions

Looking at 2002, a decisive factor for the MAIL Corporate Division will be the economic situation and the future development of the advertising market.

In 2002, the first-time consolidation of DHLI will give a significant boost to EXPRESS Corporate Division revenues. We will focus in particular on the restructuring and integration of DHLI into the Group.

The poor state of the economy in 2002 will continue to impact the LOGISTICS Corporate Division. However, we are still expecting further good development in this segment.

Thanks to its good market positioning, we expect the FINANCIAL SERVICES Corporate Division to continue the successful development it recorded in previous years.

Dividends

With regard to our policy on dividend payments, we will continue to pay an earnings-based dividend to our shareholders. We are planning a distribution ratio of 25 to 30% of consolidated net profit.

Procurement

In future, an Internet-based transport portal will enable Deutsche Post World Net to buy and organize online the transport services it requires in the area of European overland transport, provided by freight carriers for the different corporate divisions within the Group. The new transport portal will enable us to offer and outsource all European freight for the MAIL, EXPRESS und LOGISTICS Corporate Divisions – and most importantly therefore, for Danzas – to the different freight carriers.

Corporate strategy

In the coming years, demand for logistics services at an international level will continue to rise. We can see particularly good development opportunities for globally active, integrated logistics providers.

We have oriented our services portfolio toward this market development. Our corporate strategy for the next few years will concentrate on fully exhausting the growth and cost-cutting potential of our new business platforms. Once the new businesses and acquisitions have been successfully integrated with the corporate divisions, a key task will be to leverage cross-divisional synergies.

We will tightly integrate the services provided by the corporate divisions, which will also allow us to realize potential revenue and value growth. In terms of its reach and the range and quality of services offered, Deutsche Post World Net is already one of the major global logistics providers. By systematically leveraging the synergies between our different business divisions, we intend to exploit our company's long-term development potential, which will also benefit

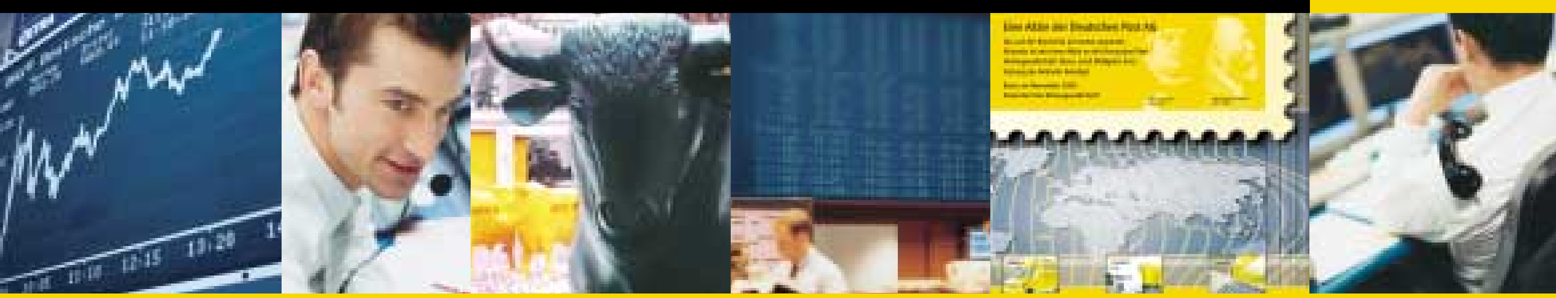
- our customers through global service,
- our shareholders through growth, dividends and increased value and
- our employees through secure workplaces.

Bonn, February 21, 2002

Deutsche Post AG
Board of Management

Just six months after its initial listing Deutsche Post stock moved up to a higher level: on March 19, 2001 it was admitted to the Deutsche Aktienindex (DAX), making it one of the 30 most important German stocks. At our first Annual General Meeting following our IPO, which was held on June 27, 2001, more than 5,000 shareholders personally experienced our Group's powerful performance.

Amid turmoil on the stock exchanges, Deutsche Post stock ascended to the ranks of the blue chips.



Unsettled market environment continues into 2001

The slide on the global financial markets continued unabated in the year under review, despite occasional periods of recovery. Not only did the German share index DAX fall 19.8% from the start of the year, but the Euro STOXX 50 and Nasdaq indices also lost 18.0% and 21.2% respectively.

The share price of Deutsche Post stock started well in 2001, reaching €24.78, its highest level to date, on February 2. With its admission to the DAX on March 19, 2001, Deutsche Post stock was promoted to the realm of the blue chips. In the course of the year, our share price performance ran broadly in line with the performance of the DAX – and so was inevitably affected by the increasingly subdued mood on the capital markets.

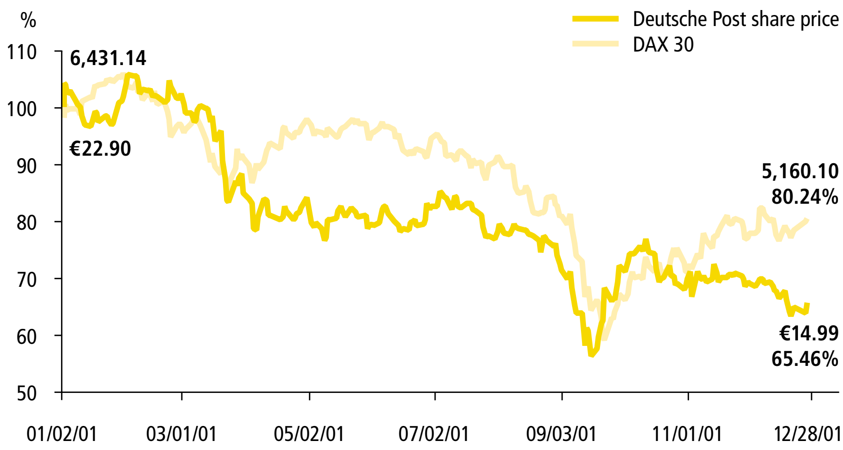
The price reached a 52-week low of €11.80 on September 11 as a direct consequence of the terrorist attacks in New York and Washington, which led to great uncertainty on the capital markets and in some cases caused share prices to slide heavily. In the following weeks, Deutsche Post stock initially recovered more quickly than the majority of DAX 30 stocks, but came under pressure again in mid-October, following media reports of alleged anthrax-laced letters in Germany. On the last trading day of 2001, it closed at €14.99 which corresponds to a drop of 34.5%.

Deutsche Post stock data

		2001	2000	Change in %
Earnings per share	in €	1.42	1.36	4.4
Dividend per share	in €	0.37[1]	0.27	37.0
Cash flow per share[2]	in €	3.32	3.13	6.1
Return on equity before taxes[3]	in %	46.0	62.1	

[1] The Board of Management intends to propose a dividend distribution of €412 million to the Annual General Meeting.
[2] Cash flow I.
[3] Profit from ordinary activities before tax/average equity.

Deutsche Post share price development

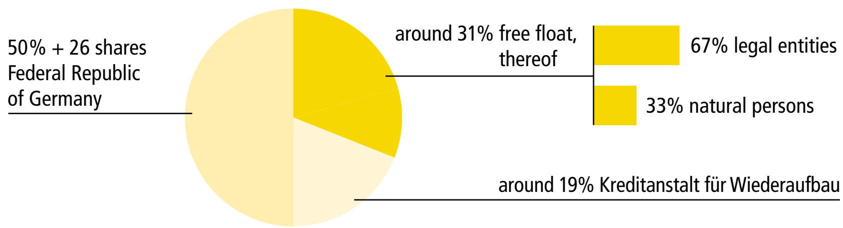


Our market capitalization at the end of the year was €16.7 billion (end-2000: €25.7 billion).

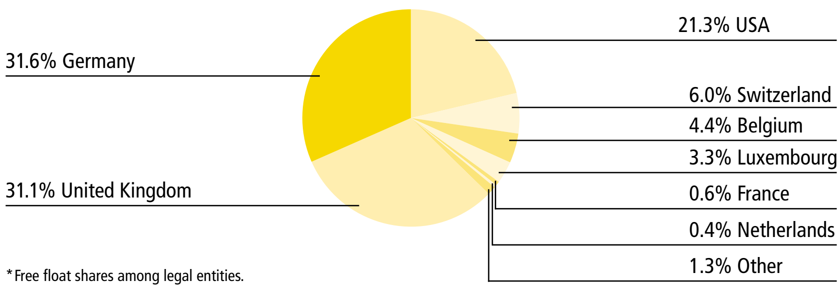
Deutsche Post stock with international free float

Our shareholder structure is as follows: as of December 31, 2001, 50% plus 26 of the shares were held by the Federal Republic of Germany, and around 19% were owned by Kreditanstalt für Wiederaufbau (KfW). The remaining shares, around 31%, were in free float. At the end of the year, a little over two-thirds of the free float were in the hands of institutional investors based primarily in Germany, the USA and the UK. All in all, Deutsche Post stock is held by shareholders in more than 100 countries and thus has a substantial international free float.

Shareholder structure as of December 31, 2001



Distribution of shares* by country as of December 31, 2001



*Free float shares among legal entities.

Postal Service Transformation Act amended

In the course of the year under review, the majority shareholder amended the Postumwandlungsgesetz (German Postal Service Transformation Act) as announced at the time of our IPO on November 20, 2000. The Federal Republic of Germany is now no longer obliged to hold a majority of the shares in the company. The Federal Minister of Finance said in December 2001: "Further steps toward the privatization of Deutsche Post AG ... will be taken if the conditions on the capital markets are right."

Management stock option plan

At the time of our IPO, Deutsche Post World Net established a stock option plan for around 1,000 executives. The exercise of the options, following a three-year lock-up period, is tied to two conditions: the performance of the Deutsche Post share price, and the relative performance of the share price against the performance of the Dow Jones Euro STOXX Total Return Index. In March of the year under review, the strike price for the share options was set at €23.05.

Increased investor relations activities

In 2001, we substantially increased communication with our shareholders.

We made personal visits to a large number of institutional investors and held one-on-one meetings to inform them about the situation and future strategic orientation of the Group. Eight roadshows took us to various European countries, and also to the USA. We invited analysts to the presentation of our annual financial statements and the publication of our half-yearly figures, as well as organizing conference calls to announce our quarterly figures on March 31 and September 30.

We have also increased contact with our private investors, with one particular success in this area being our first General Meeting following our IPO, which we held on June 27, 2001 in the Kölnarena, Cologne. More than 5,000 shareholders had an opportunity to experience our progress and performance for themselves. We answered the questions of interested private investors at a series of bank events throughout Germany. Information about Deutsche Post stock can be requested by sending a message to ir@deutschepost.de. "Nachrichten-Börse" is a magazine we are developing for private investors, with 850,000 copies of the first two issues of the year under review sent to our shareholders and a further 900,000 to other interested parties. The Investor Relations Newsletter, sent regularly by e-mail to our institutional investors and available to private investors on our website, summarizes the most important news about Deutsche Post stock. At the start of fiscal year 2002, we further improved and expanded our Internet presence at www.dpwn.de with a view to providing transparent information for private investors. At the same time, to intensify communication with investors we also added to our investor relations team. The head of Investor Relations now reports directly to the Board Member Finance.

The investor relations events scheduled for fiscal year 2002 can be found in the financial calendar on the inside back cover.

Working hand in hand for the satisfaction of our customers. We provide our customers with the complex solutions they expect from us in the highest quality. Deutsche Post World Net owes the fact that this is possible to its employees. These people work together closely across the boundaries of our corporate divisions, embodying the spirit of integrated service. Forward-looking training and performance-related pay help our employees to meet these requirements with confidence.

Over 320,000 people with a single goal:
to satisfy each and every one of our customers.

Employees

Development of workforce	Dec. 31, 2001	Dec. 31, 2000	Change in %
Corporate Divisions			
MAIL[1]	137,130	140,613	-2.5
EXPRESS[1]	47,456	46,612	1.8
LOGISTICS[1]	45,036	43,253	4.1
FINANCIAL SERVICES[1]	11,245	11,299	-0.5
Others (including retail outlet branches)[1]	35,368	36,928	-4.2
Group[1]	276,235	278,705	-0.9
Group[2]	278,028	276,348	0.6
Regions[1]			
Germany	223,555	227,092	-1.6
Europe (excluding Germany)	41,017	41,356	-0.8
Americas	7,077	6,097	16.1
Asia/Pacific	3,148	2,588	21.6
Other regions	1,438	1,572	-8.5
Total	**276,235**	**278,705**	**-0.9**
Headcount (including trainees)			
as of Dec. 31	321,369	324,203	-0.9
Average of year	323,298	319,998	1.0

[1] Calculated as FTEs (excluding trainees) as of Dec. 31.
[2] Calculated as average FTEs for the year.

Slight drop in number of employees

As of December 31, 2001, the Group employed a total of 276,235 people, representing a drop of 0.9% on the previous year. On average over the year, the total workforce amounted to 323,298 employees including trainees. The increase in the EXPRESS and LOGISTICS Corporate Divisions resulted from the first-time inclusion of newly acquired companies. In the other corporate divisions, we continued to reduce the number of employees as planned.

Performance-related remuneration for our employees

Since January 1, 2001, Deutsche Post AG has been operating a new non-civil service collective pay agreement. Since this agreement came into effect, we have been able to pay our employees on a more performance-related basis using variable pay components. The simplified conditions of the agreement also helped to bring pay in line with the standard logistics industry level. The resulting considerable cost savings will continue to be reflected in income over the coming years.

We rewarded the motivated work of both salaried employees on collective pay scales and civil servants with efficiency bonuses.

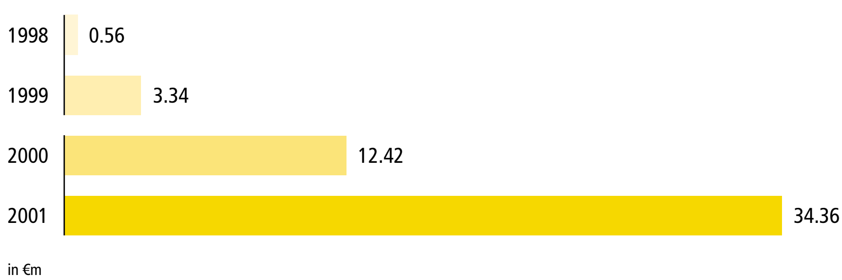
Our corporate executives have considerable influence on the increase in the value of our Group. When we went public, we launched a stock option plan for around 1,000 executives globally, allowing them to take clear entrepreneurial responsibility. The exercise of the options is linked to set conditions following a three year lock-up period. More information on the stock option plan can be found in the chapter "Deutsche Post Stock".

Employee ideas pay off

The creativity of our employees is one of our greatest assets: employee ideas implemented at Deutsche Post AG over the past year generated a calculable benefit of more than €34 million, almost treble the previous year's figure of €12.4 million. Once again, our employees have proven that what appear to be small improvements can lead to substantial savings.

The ingenuity of our employees led to record participation in the employee suggestion system: the number of proposals rose by more than 40% to 85,000.

Savings realized on the basis of suggestions for improvement



Additional element of occupational pension

Since January 1, 2002, we have been offering our Group's employees in Germany subsidized capital accumulation for old age provision, the so-called Riester pension products. For this purpose, Postbank's insurance arm PB Versicherung has established a pension fund. Our employees can pay contributions into this fund as part of the subsidized program, and in return they will receive a pension for life.

New concepts for health and safety

As a responsible employer, Deutsche Post World Net makes every effort to ensure the safety of its employees. The main emphasis of our occupational safety program focuses on preventative measures, so that accidents never happen. As a part of this, our workforce has been given intensive training on key points. An issue that caught the attention of the media in 2001 was the threat of letters that supposedly contained anthrax spores. To date there has been no evidence of anthrax spores in letters in Germany. However, we have taken all imaginable precautions as part of a comprehensive security scheme – including the provision of appropriate equipment, such as protective gloves and breathing masks – in order to protect our employees and our customers.

During 2001, the proportion of employees taking sick leave fell to 6.4% – the lowest level in the history of the company to date. We see this as more than just an indication of job satisfaction among our workforce; we also see it as a confirmation of our large range of health care offers. In addition to the annual "employee health day" at our headquarters in Bonn, our health truck also visits employees at our branches. Our employees can receive expert on-site advice on health and fitness and undergo a fitness check supervised by a doctor.

Forward-looking training

In 2001, we raised the number of training categories we provide in Germany from nine to eleven: new additions include training as IT systems clerks and warehouse management specialists. We offered unlimited full-time positions to the around 2,200 trainees who completed their training with us in the middle of the year.

The first class of IT specialists who chose a combination of traineeship and study at the Berufsakademie (university of cooperative education) has successfully completed its training with us.

In the modern world of work, soft skills such as teamwork and conflict management are playing an increasingly important role. IDEAL, our innovative training program for life skills in the work place, offers our trainees the opportunity to train these skills; last year a total of 800 people made use of this opportunity.

Professional university marketing

To help us in the competition to attract young graduates we operate – primarily in Germany – a professional university marketing program. In addition to attending various graduate job fairs, during the year under review we struck alliances with universities, held specialist presentations and conducted joint research projects.

By working together with the world's largest student organization, AIESEC (Association internationale des étudiants en sciences économiques et commerciales) we can offer internships on every continent. In 2001, we responded to the increase in demand for internships from students in Germany and the rest of the world, and we now offer around 250 placements on our internship marketplace. The most successful interns are then included in a talent pool; we help them choose a topic for their thesis or dissertation and offer them specialist support.

During the year under review, 20 people of both sexes took part in our graduate-trainee program. Using a combination of demanding project work and training, we specifically prepare college and university graduates to assume executive positions within the Group.

Management policy

The purpose of our executive development program is to discover and promote existing management qualities within our own ranks. As part of this, in 2001 we harmonized and bundled our Group-wide activities. In future, our executive development program will consist of three steps; the first step is the annual review of potential by direct supervisors, which is then followed by a session at an assessment center and interviews in order to obtain a more objective opinion. This process culminates in measures for individual development and – for particularly suitable candidates – admission to special talent groups.

Group-wide succession planning for executives helps us to promote employees and to determine our recruitment requirements.

For senior executives, this involved combining all our development measures in the Deutsche Post University, an important platform for Group integration. Working together with leading business schools such as the Wharton Business School, we prepared business-oriented development programs. The concept is highly practical in nature thanks to the close integration with Board of Management project requirements. The first complex tackled is the topic of "value-based management".

The increasing internationalization of our Group means that the demand for employee mobility is also growing. To help with the planning of international staff deployment, we have created a central human resources office that helps executives when switching between Group companies.

Our future success depends on the degree to which we can offer the integrated services of our four corporate divisions on a global scale. Working with each other, learning from each other – this is the concept behind our dual integration program of inward integration throughout the Group and outward integration toward the customer.

Integration will make us the number one global player in the logistics market.

Dr. Klaus Zumwinkel on the subject of integration

Q: Dr. Zumwinkel, Deutsche Post World Net's Annual Report for 2001 has the thread of "integration" running through it. What exactly does that mean?

"Integration is one of the most important tasks facing us today so that we can shape the future of our company. It has both an inward and an outward component: on the one hand we're completing the integration of our recent acquisitions into the Group; and on the other hand it's about meeting the global and increasingly complex demand for logistics services with our offerings, so that we can satisfy our customers' every need. A simple example: a customer requires broad-based logistics support. Our offering includes order processing, warehouse management, transport, distribution and complete financing – which adds up to five individual services integrated into a single offering. The

customer can get all this from a single source – from Deutsche Post World Net. We can do all this because we have the expertise and the capacity within our Group."

Q: Is this the future of logistics: customers focusing their requirements on a single provider?

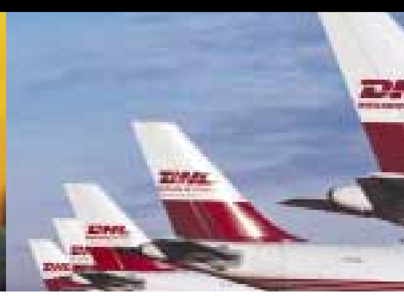
"It won't always be just one provider, but the trend is leading to fewer, qualified companies. We've set ourselves the goal of becoming our customers' partner for global logistics. We already made acquisitions with this objective in mind in recent years. The integration of individual services simultaneously requires integration between our corporate divisions. So in one case, we have the Group companies DHL and Postbank working on a joint project for our client Fiat Auto. And in another we have our logistics subsidiary Danzas and the Business Division Express Europe working together for our international client IBM.

Working with each other, learning from each other – this is the concept behind dual integration: inward integration throughout the Group and outward integration toward the customer."

Q: In the last few years, the markets for logistics offerings have undergone increasing concentration. A dwindling number of increasingly large companies are going head-to-head for their market share. Is this also a consequence of integration?

"Definitely. Quite often firms don't just disappear from the market, instead they're absorbed into larger groups. For example, our European express network today is made up of a large number of smaller, established national companies in around 20 countries, which means that we can offer European express services to 420 million people. And that's with companies that have a strong presence and a trusted name on their home markets. But they work for Deutsche Post World Net and have been integrated into our Group."



Q: Seizing new positions, growing stronger and becoming a global player – this is the way you described the process that has defined the Group over the last ten years. A successful turnaround, advancing internationalization and finally the IPO – where do you see Deutsche Post World Net today? And where is the company headed?

"In the past ten years we've achieved a great deal. And we won't stand still now. We've stated our goal quite plainly: we want to be the number one global player in the logistics market. There's no time to stop for breath. Deutsche Post World Net today is bolstered by four strong pillars. And we're going to make them even stronger. The integration of our services is creating synergies that will increase the success of the Group and the value of Deutsche Post stock. The future of logistics lies in integration and globalization – and we're helping to shape it."

How the MAIL Corporate Division is supporting integration:

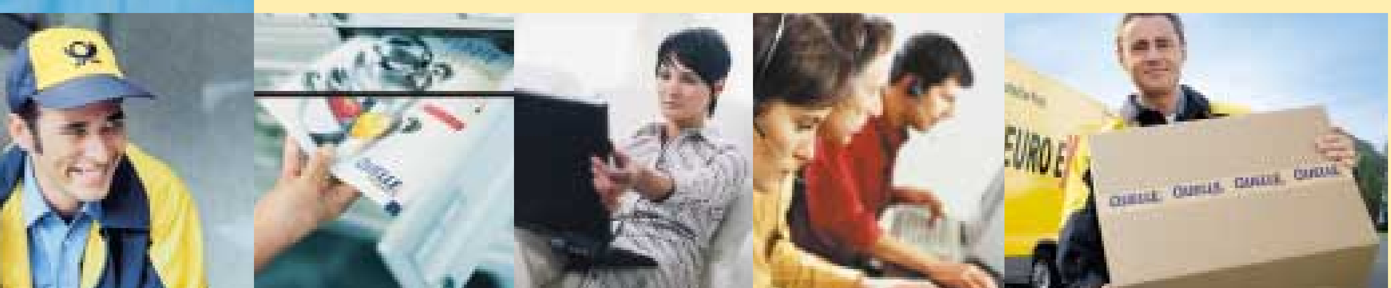
Livening up the German market with mailshots and direct marketing campaigns.

When the postman makes dreams come true … Twice a year, Christine and Jacob Werner have dreams delivered to their door: a tricolor diamond ring, a midnight blue evening gown embroidered with stars, luxury pilot's wristwatches and their own greenhouse for the garden. Every year the Werners have the summer and winter Quelle standard catalogs delivered to their home by Deutsche Post – just two of the 24 million standard catalogs printed and mailed by Quelle every year. They are supplemented by millions of special catalogs and mailshots, reaching almost 50% of all German households.


QUELLE.

With logistical support from Deutsche Post, the Fürth-based mail order company has built up a mail order empire that fulfills every wish. If the standard catalogs delivered by Deutsche Post alone were piled up, the stack would be 1,030 times higher than the Eiffel Tower and weigh as much as 4,170 grown elephants.

The Quelle catalog is perfect for the Werners: two professionals who rarely have time to get to the shops, so they like to browse through the catalogs in the evenings. "They have stylishly designed, luxury products that combine quality



and low prices," says Christine Werner, "and two days later Deutsche Post delivers it all straight to our door."

The days when all that Deutsche Post would bring was letters and small packets are long since gone. Today, it acts as Quelle's expert logistics manager: Quelle finds new customers by using Infopost if it knows the address of the person in question. If not, it can use an unaddressed mail campaign, which can cover whole town districts at once. At the same time, Quelle receives a permanently up-to-date mailing list from Deutsche Post:

Customers' addresses are matched using Germany's largest relocation database – at Deutsche Post.

Other people like the Werners who prefer to order from home rather than go shopping benefit from the complete Deutsche Post service without even noticing. Quelle has established a logistics center in Leipzig which is among the most advanced in the world. Every day up to 180,000 small packets and parcels leave Leipzig with Deutsche Post. Golden earrings and pearl necklaces, or telescopes, occasional tables and quilts. And now, in Quelle's 75th anniversary year, customer demand is stronger than ever. Just 24 hours after receiving an order, Deutsche Post starts the delivery process – and ensures that Jacob Werner can unwind after a stressful day at work by going out on his brand new inline skates.

MAIL Corporate Division

MAIL Corporate Division				
		2001	2000	Change in %
Total revenue	in €m	11,707	11,733	-0.2
Profit from operating activities (EBITA)	in €m	1,960	2,004	-2.2
Return on sales*	in %	16.7	17.1	
Investments	in €m	468	587	-20.3
Segment assets	in €m	5,049	5,586	-9.6
Employees calculated as FTEs, excluding trainees	as of Dec. 31	137,130	140,613	-2.5

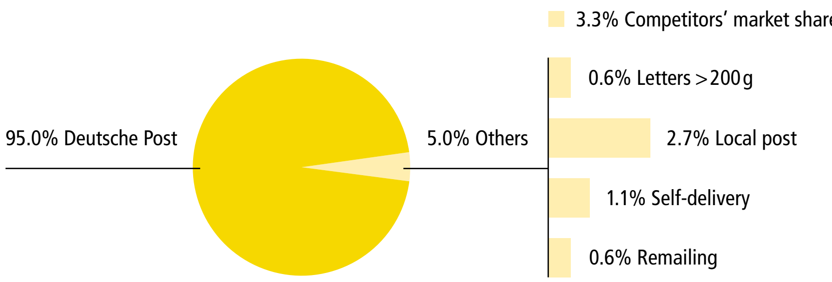
* EBITA/revenue.

We have combined our comprehensive written communication services in Germany in the MAIL Corporate Division, which is composed of the Business Divisions Mail Communication, Direct Marketing and Press Distribution. With a nationwide infrastructure of around 13,000 retail outlets, 140,000 mail boxes and 62,300 delivery districts, we serve over 39 million households and three million business customers across Germany.

Mail market remains stable

The German mail market had a total volume of €7.8 billion in 2001, up from €7.7 billion in 2000. This means that the mail market has continued to develop positively despite the weak economy and the continuing rise of the Internet's popularity – and that our competitors have set their sights on this market as well. In the largely deregulated German market, these companies are permitted to operate in this business outside our exclusive license area in delivering letters weighing over 200g. Letters weighing less than this may only be delivered by competitors if they offer high-quality services such as guaranteed delivery on the same day. Our competitors were able to increase market share in both segments, particularly in the case of local mail delivery by third parties, so-called local post, which now accounts for 2.7% of the overall mail market, up from 1.8%. Our Business Division Mail Communication is still solid with a share of 95.0% of the overall market.

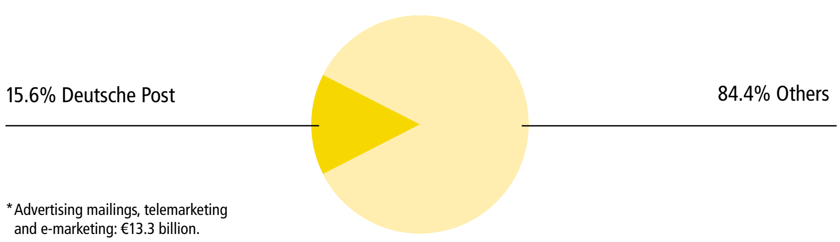
Total volume of the mail market in Germany



Market volume: €7.8 billion (2001).

Following the boom in 2000, the growth trend in the advertising industry has slowed considerably in the year under review, with the trend reversing in some areas. The volume of the German advertising market amounted to around €41.3 billion. As in the past, the advertising business relies heavily on paper-based mailings as a medium for reaching customers directly. Nonetheless, the direct marketing segment, which is important to our business, also saw a slowdown in growth. The market for advertising mailings, telemarketing and e-marketing amounted to a forecast volume of €13.3 billion in 2001 with Deutsche Post World Net holding a market share of 15.6%.

Total volume of the direct marketing market*



*Advertising mailings, telemarketing and e-marketing: €13.3 billion.

The market for press product distribution amounted to a forecast volume of approximately 21 billion items, as in the previous year. This segment also felt the effects of the economic downturn in 2001. The circulation increases at consumer magazines were cancelled out by equal circulation decreases, particularly in the specialist financial press. On the whole, we saw decreases in page numbers due to the lower advertising revenue at these publications. Our main competitors in this highly fragmented market are distributors of local newspapers. Our Business Division Press Distribution generated 11.0% of the total sales of this market, i.e. the same share as last year.

Strong stable revenues despite weak economy

At €11,707 million, the MAIL Corporate Division was able to maintain its high revenue level, with the revenue per business day remaining stable at €47.0 million. Revenue per employee rose by 2.3% to €85,400.

At 21.64 billion items, the volume of delivered mail reached the previous year's high level. This means that on every business day of the year, we again delivered more than 72 million items.

The Business Division Mail Communication's sales volume remained stable at a high level: 9,293 million letter items. We have our business services to thank for this success because the sales we generated with business customers increased slightly despite the weak economy. A key factor in this development was the expansion of so-called hybrid mailings; we receive data electronically, which we then print out and deliver in the form of a letter. We were also able to acquire additional orders for hybrid mail services. For example, GZS Gesellschaft für Zahlungssysteme signed a major contract with us for printing over 40 million letters per year. GZS sends us the data, and we print out the letters, insert them in envelopes and frank them, and our mail carriers subsequently deliver the letters to customers. This contract also includes printing all of the company's VISA and Eurocard bills. Targeted marketing activities, such as the "Love Letters" campaign with the artist HA Schult as part of the new series of events entitled "Ein Brief setzt Zeichen" ("Letters Make a Mark"), and the expansion of our marketing activities aimed at children and young people enabled us to further cut volume losses in the private customer segment.

Revenue in this business division remained constant at €7,367 million compared to the previous year's level of €7,371 million.

Overview of Business Division Mail Communication

The Business Division Direct Marketing saw a slight decrease in sales by 0.8% to 10.0 billion mail items. The decrease in unaddressed advertising mail sales had been planned in order to achieve a rise in the average price. Addressed advertising mail recorded a sales increase. Thus, at €2,072 million, revenues remained almost stable. Factors contributing to this were product innovations such as Mailingfactory, a multimedia application for designing mailing campaigns. Small and medium-sized commercial customers with Internet access can use this application to quickly, flexibly and efficiently design their direct marketing campaigns in-house. The subsidiaries' segments achieved a 21.9% revenue growth.

Despite the difficult economic environment, the Business Division Press Distribution was able to reproduce the good results of the previous year. Although sales declined slightly by 0.6% to 2.3 billion items, revenues remained stable at €841 million.

Profit remains high

Profit from operating activities (EBITA) amounted to €1,960 million, a decline of only 2.2% over the previous year. The main reason for the decrease was the rise in operating expenses by 1.2% (up €41 million to €3,538 million) in line with the general increase in prices. In view of the difficult conditions in the year under review, due also to the weak economy, the anthrax problem and the early onset of winter, this is a good result.

EBITA and return on sales

Investments boost automation

Once again, in 2001 we improved the technical standard of the equipment in our 83 mail sorting centers and increased the degree of automation to 87%, up from the already high level of 85% last year. This figure ranks very highly in international comparisons. In the year under review, we optimized the reading techniques used in carrier sequence barcode sorters to achieve an increase in sorting quality.

This corporate division's investments in the year under review declined by around €120 million. The reason for this development was the implementation of the Retail Outlet Concept 2000 for the purpose of modernizing the outlet network.

Continued high quality in mail delivery

Technischer Überwachungsverein (TÜV) Rheinland again audited and certified letter transit times in 2001. Its conclusion was that Deutsche Post World Net delivered 95% of letters to their recipients one day after mailing in the year under review.

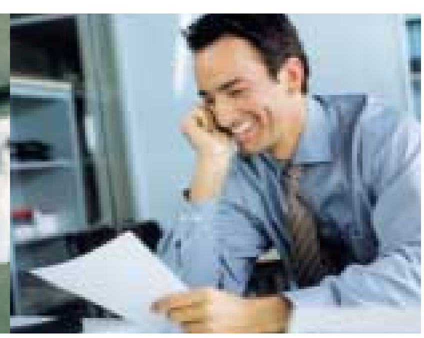
In terms of addressed advertising mail, we were able to shorten transit times considerably compared to last year. Whereas in the prior year 94% of these mailings were delivered to recipients four days after they were handed over to Deutsche Post, 96% of mailings met this standard in 2001. This provides our business customers with an increased level of planning reliability. For example, business customers can find out exactly when they must increase staff levels in their call centers following the mailing of advertising mail.

Comprehensive security measures implemented

One of the main topics dominating the media in 2001 was the mailing of anthrax-laced letters in the USA which resulted in several people being infected with anthrax. After the first few cases became known, several imitators in Germany sent envelopes containing white powder; all of these envelopes were subsequently determined to be harmless. Our mail sorting centers experienced temporary interruptions due to suspicious mail, and some sites were even closed for a short time or had their services curtailed. Deutsche Post World Net has taken all possible precautions as part of a comprehensive security concept to protect customers and employees alike. Professional crisis management enabled us to continue to run our Germany-wide mail logistics operations without serious interruptions even during these incidents.

Outlook

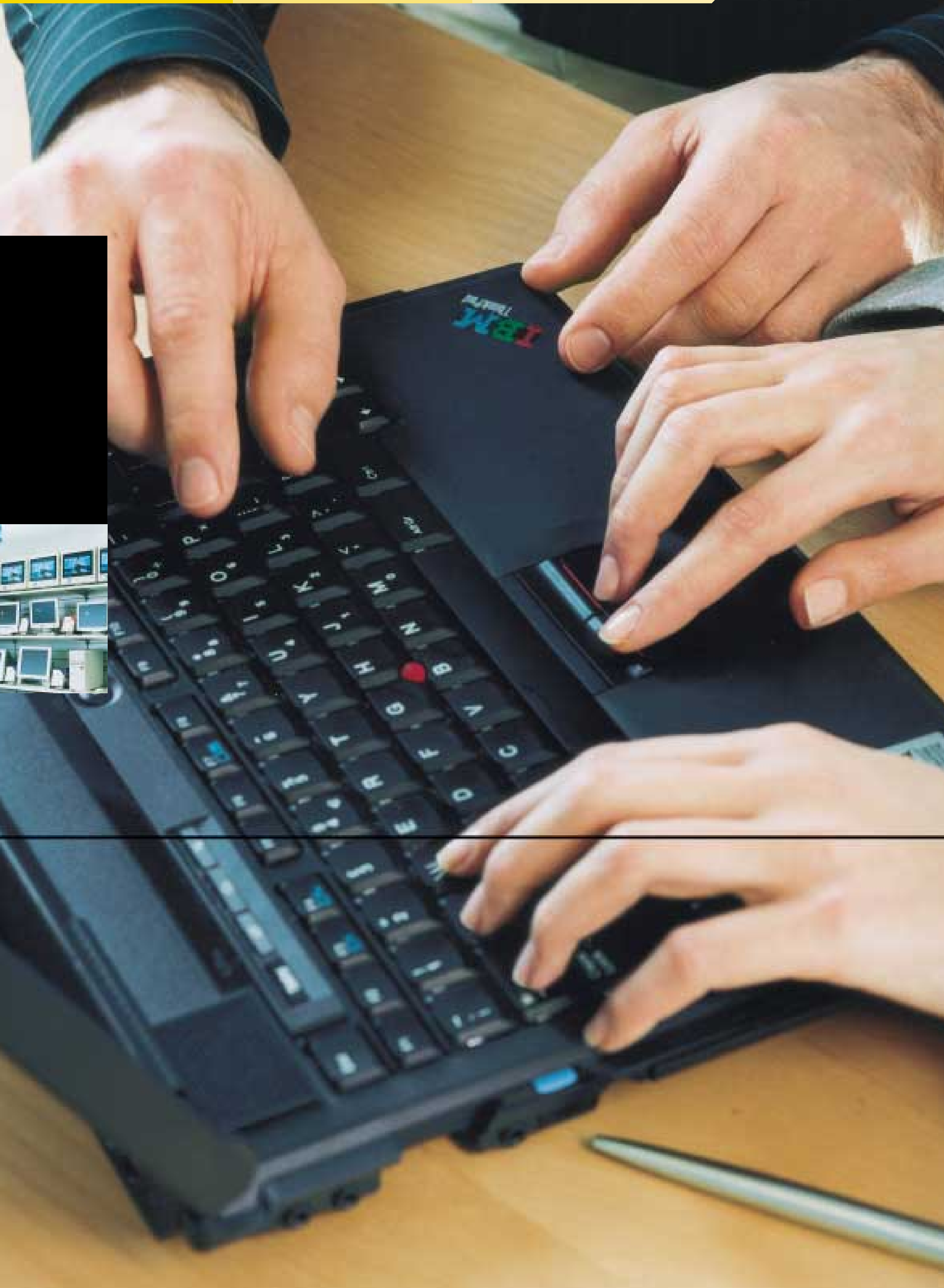
Our strategy is to safeguard our core business and to generate further revenue from new products. We are confident that products that integrate letters and the Internet in an intelligent way have impressive market potential, as the successful example of our Mailingfactory application shows. In 2002, we aim to once again increase our productivity. In this regard, we anticipate enjoying the initial successes generated by outsourcing transport services and streamlining management structures in our mail sorting centers. Both of these measures will lead to substantial cost savings.



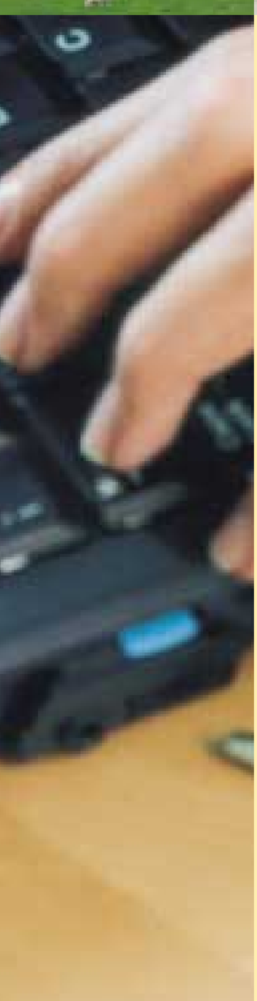
How the EXPRESS Corporate Division is supporting integration:

15,000 truckloads of computers distributed across Europe from a single source.

Logistical genius for Scottish high tech. Since February 2001, the Business Division Express Europe has been exclusively responsible for the distribution of IBM computers throughout Europe. Together with our logistics subsidiary Danzas, it transports around 15,000 truckloads of hardware a year from the IBM factory in Scotland to dealers across the whole of Europe. Thanks to our solution, IBM can now access an end-to-end service chain from a single source.



Scotland. In the west of the country, south of the peace of the mist-shrouded Highlands and the secrets of centuries-old castle ruins lies one of the most advanced industrial plants in the world. In Greenock, around 4,000 employees of US corporation IBM produce computers for the whole of Europe – around 15,000 truckloads a year. It takes a touch of logistical genius to safely deliver these sensitive pieces of equipment to customers without delay. It's a job that only a professional could do. Just one year ago IBM still had 60 different distribution partners, which cost time, money and



nerves. Now it solely relies on Deutsche Post World Net.

This is only made possible by the smooth interplay of a complex service mechanism, that integrates many Group subsidiaries: for example in its Business Division Express Europe, Deutsche Post World Net developed a tailored concept for IBM, which was then implemented as an end-to-end service chain together with Danzas. In turn, the Danzas Business Unit Eurocargo handles all of IBM's logistics together with its British partner Securicor Omega Euro Express.

The smooth implementation of this major contract requires the perfect distribution of responsibilities. Securicor Omega Euro Express receives the ready-made computers from IBM's loading ramp in Greenock and delivers them to the British and Irish market. The nerve center of the whole logistics chain and the central transshipment hub for the goods is the small Scottish town of Mossend. This is where the computers bound for customers on the European mainland are handed over to Danzas Eurocargo. The transport requires precision, international experience and networked thought and action, which are Deutsche Post World Net's key strengths.

IBM no longer needs to worry about the complex background workflows. The company now has a logistics solution from a single source and from one partner – and can consequently increase its efficiency enormously.

EXPRESS Corporate Division

EXPRESS Corporate Division		2001	2000	Change in %
Total revenue	in €m	6,421	6,022	6.6
Profit from operating activities (EBITA)	in €m	176	76	131.6
Return on sales*	in %	2.7	1.3	
Investments	in €m	349	545	-36.0
Segment assets	in €m	4,112	4,272	-3.7
Employees calculated as FTEs, excluding trainees	as of Dec. 31	47,456	46,612	1.8

* EBITA/revenue.

The EXPRESS Corporate Division operates domestic and international parcel and express delivery services, along with cross-border mail services, and is composed of the Business Divisions Express Germany, Express Europe and Global Mail. EXPRESS also has a new business division called Worldwide Express which was established with the acquisition of additional shares in DHL International Limited (DHLI).

In the year under review, DHLI was still consolidated at equity, which means that neither the revenue nor the earnings contributed by DHLI were included in the presentation of the EXPRESS Corporate Division. DHLI's earnings attributable to the Group are included in the income from associated companies item in the income statement of the Group.

Distribution market even more hotly contested

Revenue generated on the German market for courier, express and parcel services (CEP market) rose by around 5% in the past year. The increases in the parcel and courier segments were 3.4% and 3.2% respectively, which was significantly lower than the rise in the Express segment (around 8%). In order to counter increased costs, nearly all providers raised their prices in the past year. The downturn in the economy will further intensify competition in this market.

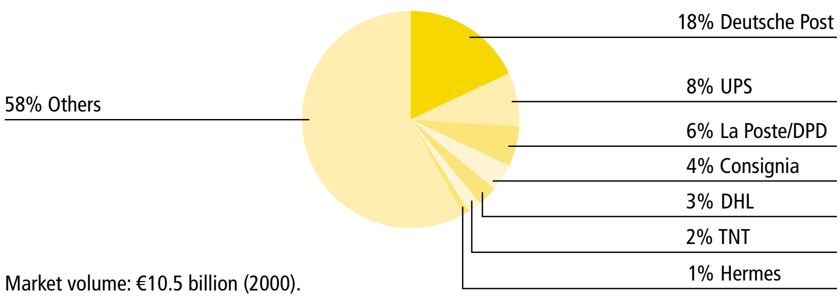
The European CEP market saw similar developments. Providers of courier, express and parcel services here are also operating under more and more competitive pressure in an environment typified by general economic decline.

The market for cross-border mail services has a volume of approximately €11 billion and grew by roughly 4% in the year under review. This above-average growth was the result of globalization and deregulation of global markets along with the increase in Internet sales.

Revenue up in the business divisions

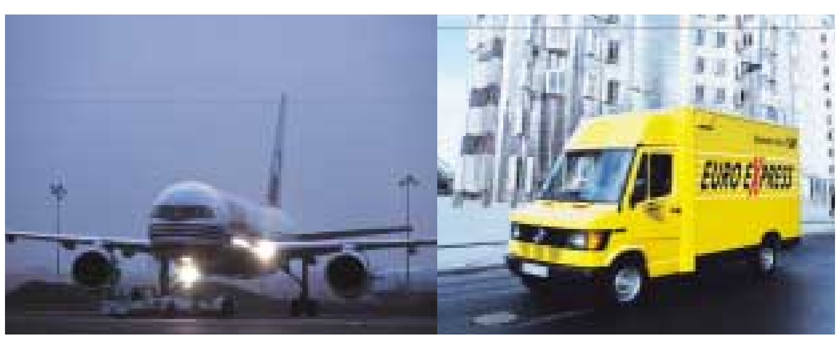
In 2001, the EXPRESS Corporate Division increased total revenue by €399 million (6.6%) to €6,421 million, even though competition intensified on all markets. The largest increases were reported by the Business Divisions Express Europe and Global Mail.

German CEP market

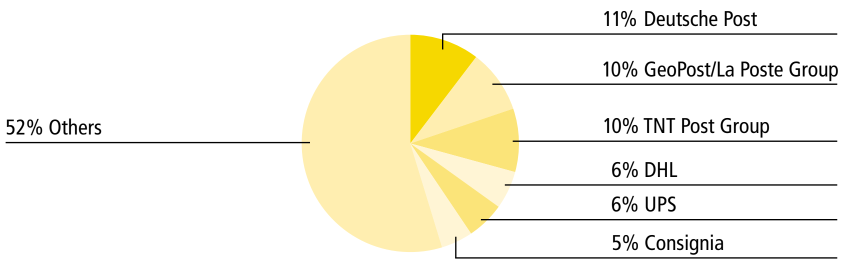


Market volume: €10.5 billion (2000).

The Business Division Express Germany saw an increase in revenue by 3.2% from €3,164 million to €3,267 million. In addition to an increase in shipping volume, price adjustments also contributed to this positive development. Increased fuel expenses in particular affected costs. In the private customer segment, sales grew slightly. At the same time, we adjusted prices for various products sold over the counter, such as parcels and small packets, and for supplementary services as of July 1, 2001. Sales of business services rose over the prior year; in contrast, the increased competitive pressure as regards prices and terms was particularly noticeable here. We are countering this development by adding additional services: for instance, we are running a pilot test of the *PACKSTATION* delivery service as part of our business services. Customers can pick up their parcels at machines around the clock using this service.



European CEP market*

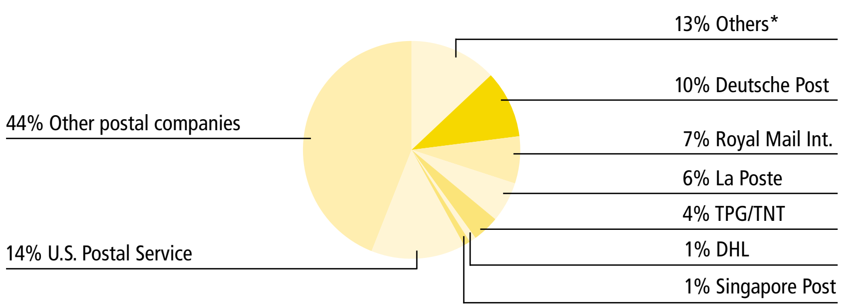


*Belgium, France, Germany, Italy, Netherlands, Spain and the UK, market volume: €31.7 billion (2000).
Total European market volume: €36 billion (2000).

Compared to last year, revenue in the Business Division Express Europe rose 10.0%. This development was the result of a change in the product mix and indicates the increasing competition, which led to a slowdown in revenue growth during the course of the year. This is particularly true for France and the Benelux states.

The Business Division Global Mail saw an increase in revenue of 20.4% over the prior year. The main reason for this positive development was a rise in cross-border mail and an acknowledgement of our high-quality services in the form of increased remuneration as part of the European REIMS II agreement. Acquisitions, such as that of the internationally active Güll group, strengthened the global market position of this business division. The primary sales markets in 2001 were Europe, the USA and Canada.

Global cross-border mail market



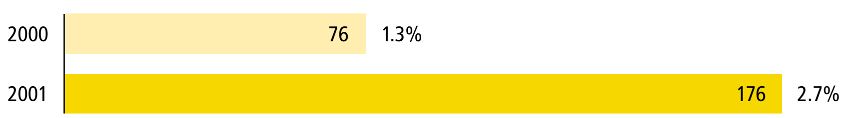
Market volume: €12.85 billion (2000).

*G3 Worldwide 4%, Mercury 1%, UK consolidators 2%, USA consolidators 4%, others 2%.

Profit doubled

The EXPRESS Corporate Division more than doubled its profit from operating activities (EBITA) by 131.6% from €76 million to €176 million. This gratifying development is the result, among other factors, of pricing and cost management in the Business Division Express Germany and of positive developments in revenue and expenses in the Business Division Global Mail.

EBITA and return on sales



in €m

Investments

The EXPRESS Corporate Division's total investments amounted to €349 million in 2001.

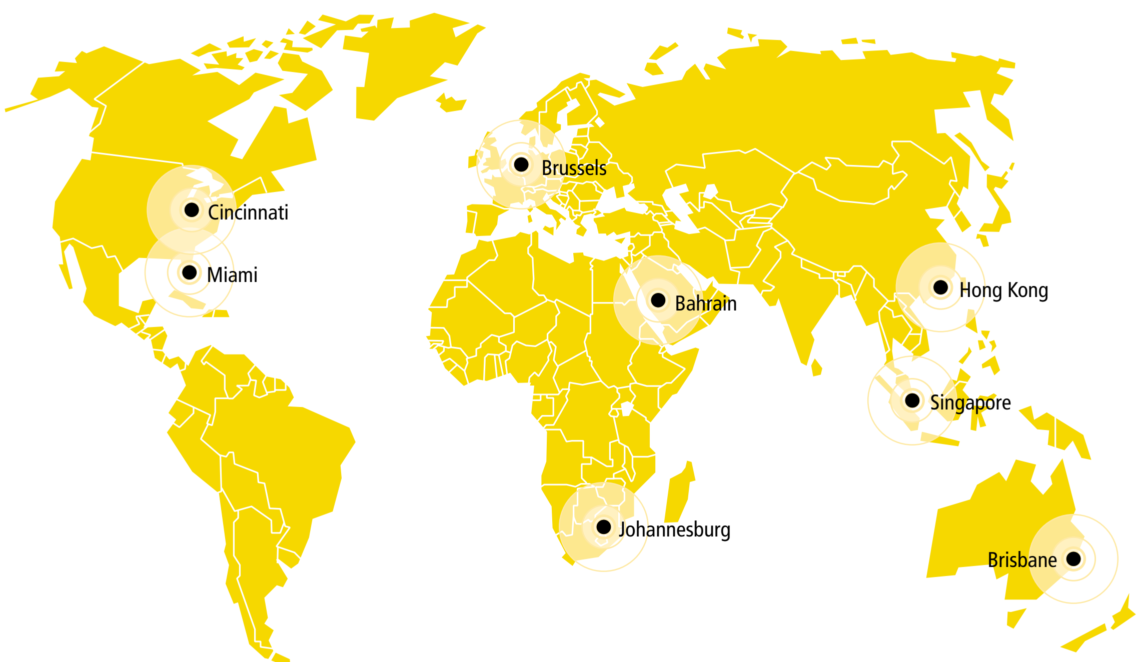
In the Business Division Express Germany, we concentrated on upgrading our vehicle fleet. Express Europe's investments were focused largely on building new parcel terminals in the Benelux states and in Spain in order to expand the European network. Our investments in Global Mail set up and expanded sales structures to develop and penetrate new markets, especially in the USA. Investments here focused on optimizing logistics processes and structures and improving the degree of automation in production.

New Business Division Worldwide Express

The cooperation with DHLI resulted from a partnership which was intensified in 2001. In the year under review, our interest in DHLI amounted to 46.39%. After we received all of the authorizations required by the antitrust authorities, we acquired a majority interest in DHLI as of January 1, 2002 as planned. Our share in this company now amounts to 50.64%, and its activities are represented in the EXPRESS Corporate Division by the new Business Division Worldwide Express.

DHL is the global market leader in cross-border courier and express deliveries. DHLI's US activities have also been fully consolidated since May 15, 2001. The one exception to this is the company's airline in the US in which DHLI holds only 25% of the voting rights and 45% of the capital for legal reasons.

DHL Worldwide Express



This map is for information purposes only and does not intend to make any statements on the political status of certain regions.

Network statistics

Worldwide

Shipments per year	over 140 million
Customers worldwide	over 1 million
Countries and territories	more than 220
Offices	5,939
Employees	68,732
Vehicles	16,326
Aircraft	254
Flights per day	3,411
Gateways	203
Helicopters	36

By region

Europe

Offices	880
Employees	28,238
Vehicles	6,360
Aircraft	94
Helicopters	11

USA

Offices	285
Employees	11,617
Vehicles	3,093
Aircraft	104
Helicopters	7

Americas (excl. USA)

Offices	880
Employees	7,346
Vehicles	1,941
Aircraft	21
Helicopters	10

Africa

Offices	366
Employees	2,166
Vehicles	519
Aircraft	21
Helicopters	3

Middle East

Offices	104
Employees	1,633
Vehicles	387
Aircraft	7
Helicopters	2

Asia/Pacific

Offices	3,424
Employees	17,732
Vehicles	4,026
Aircraft	7
Helicopters	3

In fiscal 2001, DHLI reported revenue growth of around 5% and a positive EBITA margin (not including its US activities). One difficulty was the economic situation in the United States. After September 11, new regulations aimed at fighting terrorism were put into place, and the resulting security measures increased the costs involved in the transport business in the USA substantially. Considerable restructuring requirements also put downward pressure on the US business. This situation resulted in a loss at DHL USA in 2001. On the whole, the new Business Division Worldwide Express therefore reported a net loss in the year under review.

In 2001, we initiated a series of projects with which we aim to achieve synergies from the close cooperation between DHL and Deutsche Post World Net. Our common goal is to offer customers a portfolio of services that logically combines the services of both companies. An ideal example of this type of cooperation is our integrated offering for Fiat Auto: DHL Worldwide Express and Postbank cooperate with the Italian automaker Fiat. Their integrated finance and logistics service allows Fiat Auto to optimize its spare parts business.

Outlook

Our focus will continue to be on expanding the high-growth business-to-business segment. Products will be more specifically tailored to target groups by way of the restructuring of our business customer portfolio and additional industry-specific solutions. These developments will be helped along by additional Internet-based products and services.

We also intend to expand our international range of products and services. Moreover, we transferred the marketing, sales, production procurement, financial control and IT functions of the Business Division Express Germany into a separate subsidiary as of January 1, 2002. The aim here is to operate in a more effective and customer-oriented manner than ever before.

In the Business Division Express Europe, we will complete the integration of the companies acquired in previous years by 2002. Because of our European focus, we will now concentrate on harmonizing our production processes and services.

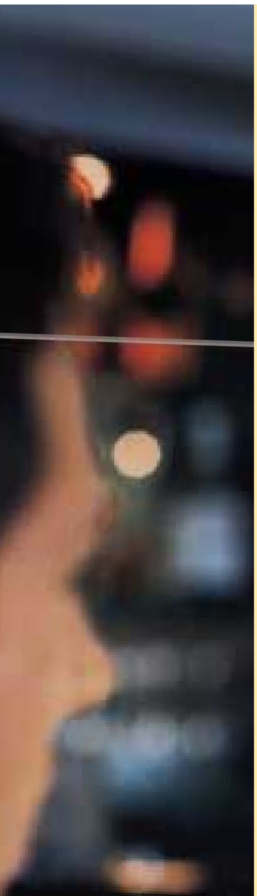
We will expand and optimize our global network in the Business Division Global Mail and plan to open additional sales offices in Europe, while also increasingly exploiting cross-selling potential with other corporate divisions.

The cooperation between the Business Divisions Worldwide Express and Express Europe will be intensified with regard to joint utilization of the logistical network, including warehouse and transshipment capacity. On the whole, we will eliminate existing product overlaps with DHL and at the same time use Deutsche Post World Net's marketing network for DHL products and vice versa.

How the LOGISTICS Corporate Division is supporting integration:

Bringing four million bottles of wine to five continents on a single day.

Le Beaujolais Primeur est arrivé! Every year in November, to be more precise on the third Thursday of the month, wine lovers all over the world look forward to the Beaujolais Primeur. It's up to the LOGISTICS Corporate Division to make sure that wine merchants' shelves are properly stocked – on five different continents. Together with the EXPRESS Corporate Division, Danzas brings the bottles straight to the consumers' tables.



The streetlights come on in Cologne-Weiden as Thomas Hartmann looks at his calendar. He's been looking forward to the new Beaujolais Primeur for a long time. And now, the moment has arrived. One click on the website of his wine merchant in Hamburg, and his computer immediately shows him what he wants to know: this year's wine is excellent. Thomas Hartmann sends his order via e-mail.

Just one week earlier, 700 km further west: Danzas workers have only 120 hours to complete the mission impossible, 120 hours for a job that will involve all five continents, four

million bottles of red wine and any number of impatient wine lovers. The kind of job the Deutsche Post World Net's logistics experts dream about: Danzas, it's over to you!

Every year, as the fall is drawing to a close, you can almost taste the anticipation. Will everything go to plan? Will the Beaujolais from the middle of France arrive on the tables of restaurants from São Paulo to Tokyo? Intact and at the right temperature? This job takes the kind of expertise that Danzas offers its customers all year round. This is all made possible by its specialist Wines & Spirits department, which has different branches in all the key wine-growing areas.

This expertise means that Danzas has got what it takes to deliver this favorite wine that traditionally has to appear on shelves the world over on the third Thursday of November.

Once the doors to the cellars are opened, the countdown begins: dozens of Danzas employees bring crates of wine to trucks in double time, ships are ready to leave port and aircraft are cleared for take off.

The wine merchant in Hamburg was happy. The Danzas-delivered bottles arrived in his warehouse on time, and were then repackaged and sent on their onward journey with Euro Express. Thomas Hartmann was happy too, reading his new e-mails with a glass of Beaujolais Primeur in his hand. He couldn't help but smile when he read the message from his business partner in Cape Town: "The Beaujolais Primeur 2001 has arrived! You have to try it!"

LOGISTICS Corporate Division

LOGISTICS Corporate Division		2001	2000	Change in %
Total revenue	in €m	9,153	8,289	10.4
Profit from operating activities (EBITA)	in €m	159	113	40.7
Return on sales*	in %	1.7	1.4	
Investments	in €m	448	1,665	-73.1
Segment assets	in €m	5,330	5,355	-0.5
Employees calculated as FTEs, excluding trainees	as of Dec. 31	45,036	43,253	4.1

* EBITA/revenue.

The LOGISTICS Corporate Division is represented by the Danzas group, whose Solutions, Intercontinental and Eurocargo Business Units offer services along the entire supply chain, including tailored logistics solutions, worldwide air and ocean freight, project forwarding and European overland transport.

Terrorist attacks hit industry hard

The horrific terrorist attacks in New York and Washington on September 11, 2001 had a direct impact on the entire logistics industry. For several days following the attacks, no goods could be transported via air into or out of the USA, and even after flights resumed, trade was severely curtailed due to increased security measures. Major multinational customers held back in light of this tense situation, which led to a decline in air freight shipments.

The sharp economic decline, especially in the USA, is forcing companies to cut costs further and to optimize their processes. One measure taken to this end is the outsourcing of complex logistics projects to specialized service providers such as Deutsche Post World Net. An international presence, robust IT networks, short transit times and one-stop solutions are becoming increasingly important.

Revenue rises further

In the past fiscal year, the LOGISTICS Corporate Division again boosted revenue substantially, increasing it by 10.4% from €8,289 million in 2000 to €9,153 million in the year under review. This rise is the result on the one hand of further organic growth and on the other of the initial consolidation of Air Express International (AEI) for the full fiscal year.

The Solutions Business Unit reported a significant increase in revenue for the year under review. Revenue rose by 20.9% from €1,214 million to €1,468 million. The primary reason for this increase is the entry into force of the comprehensive logistics services agreement signed with Deutsche Telekom in 2000. In addition, we also concluded a series of further outsourcing agreements. For example, we handle the logistics for European returns for the fashion manufacturer Mexx. During the five-year contract term, we will sort, check, and store around 11 million items of clothing which will subsequently be shipped to Mexx Factory Outlet Stores.

Market volume of European contract logistics

in €m
Annual growth rate 7.8%.
Source: Company estimates according to Datamonitor 2001.

Revenue growth of 14.1% in the Intercontinental Business Unit resulted in an increase from €3,849 million to €4,390 million due in large part to the initial full-year consolidation of AEI.

The downturn in the economy, especially in the high-tech industry, is having a particularly negative effect on the air freight business. Despite this, the Intercontinental Business Unit can look back on a successful year. We are currently the number one air freight company in the world and are among the top three in ocean freight; both rankings are measured in terms of revenue and volume, respectively. The business unit's expansion strategy focused on Latin America in 2001. For instance, international healthcare specialist Roche commissioned us exclusively to handle its Latin American transport business. We are responsible for all air and ocean freight between Roche's production facilities in Argentina, Brazil and Mexico, as well as for deliveries to customers all over Latin America.

Global air freight market volume

in €m
Annual growth rate 6.5%.
Source: Company estimates according to IATA statistics 2000 and IATA freight forecasts 2000 – 2004.

Global ocean freight market volume

in thousands of TEU (20 ft containers)
Annual growth rate 6.5%.
Source: Company estimates according to Drewry Container Market Review 2001.

After the full integration of ASG and Nedlloyd ETD, which were acquired in prior years, the Eurocargo Business Unit concentrated on optimizing internal processes and streamlining the organization of its pan-European network. Against this backdrop, we commissioned one of the largest warehouse and transshipment centers in Europe in Hamburg. This terminal serves as a gateway for Scandinavia and the Baltic States and expands our capacity for our outsourcing business. On the whole, the business unit was able to further consolidate its leading market position and operate more profitably. Revenue rose by 2.2% from €3,225 million to €3,295 million. The business unit also compensated for declines in shipping volume in Germany, France and Sweden with positive growth in other countries.

European overland transport market volume

in €m
Annual growth rate 3.0%.
Source: Company estimates according to Logistik 2000, Prof. Klaus, GVB, Nuremberg.

Earnings rise despite weak economy

Profit from operating activities (EBITA) rose from €113 million to €159 million compared with the prior year.

The Solutions Business Unit saw a substantial increase due to the positive course its business took during the year. The Intercontinental Business Unit's profit exceeded the previous year's figure, although the weakness in the global economy was particularly noticeable here. The Eurocargo Business Unit recorded a considerable improvement of earnings attributable to process optimization and the realization of synergies achieved through the integration of the acquired companies.

EBITA and return on sales

in €m

Investment in a robust network

Investments in 2001 amounted to €448 million and were channeled toward enlarging the network and improving IT infrastructure. The network was expanded mainly in the Intercontinental Business Unit by forming joint ventures and acquiring companies that were already working exclusively for AEI. Central and South America were the focus of our activities in this regard: in Columbia, we acquired a former agent, Florcarga, one of the leading logistics companies in that country, and we formed a joint venture in Mexico with Doal S.A., an equally prominent logistics service provider.

Acquisition of Cargoplan/Cargoline group

In order to further round off our air freight business, we acquired the Austrian Cargoplan/Cargoline group in November. This company is one of the leading providers of air freight services in Central and Eastern Europe, operates numerous overland transport routes and possesses significant warehouse capacity. In 2000, the company generated revenue amounting to around €80 million.

Outlook

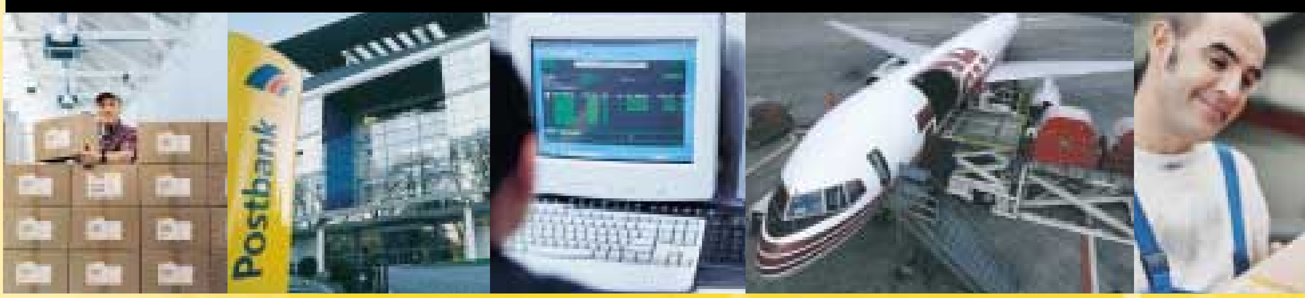
The LOGISTICS Corporate Division with its excellent market position, broad product range and international customer base, has set its course toward further growth.

We anticipate that the LOGISTICS Corporate Division will continue to develop positively in 2002 despite the continuing weakness in the economy.

The key to the future of the logistics market is supply chain management (SCM). SCM is defined as customized solutions that cover all processes along the entire supply chain and optimally synchronize incoming and outgoing flows of goods and warehousing. In line with this trend, we implemented a customer relationship management system which enables us to provide each of our customers with a single point of contact to handle all of their logistics requirements.

How the FINANCIAL SERVICES Corporate Division is supporting integration:

Underpinning the logistics chain in the spare parts sector with intelligent financing concepts.



Bella Macchina: Fiat Auto cooperates with Deutsche Post World Net. Concentration on core competencies and fierce competition in globalized markets are increasingly reasons for companies to outsource individual business areas to specialists. For this, the Italian car manufacturer Fiat is using the opportunities offered by Deutsche Post World Net. Postbank provides a combined, customized solution based on 4PL (fourth party logistics) and its financing. Added to this is DHL's expertise in the express freight business. Through integrated finance and logistics services, Fiat Auto can optimize the spare parts business along the value chain.

Robert Buckner was annoyed. If things went on like this, with appointment after appointment, business trip after business trip, he would never make it. His car, a black Alfa Spider cabriolet had to be taken to the garage and licked into shape. After all that stress in the company, a few days of relaxation at the Adriatic were planned. Beach, sun and as a highlight, a reunion of his Alfa Spider circle in Rimini.

To keep up with his mates when riding up and down the seafront, Buckner wanted to spruce up his car a bit.

A stainless steel exhaust-blind was all he needed for the perfect appearance with "la bella macchina".

But where was he to get it from so quickly? He wanted to go away in two days, that just wasn't possible. A telephone call to the garage improved his mood dramatically. "Sure, we can do it. That's no problem at Fiat," said the head mechanic. The young businessman was lucky as far as his car manufacturer was concerned. The Fiat corporation, which also builds his Alfa, provides a unique service, also in conjunction with Deutsche Post World Net companies. After just one day, the spick and span stainless steel exhaust-blind was in the garage, and Buckner could proudly drive his nippy little sports car to Italy.

Fiat Auto will continue to further improve service and reduce costs through the cooperation with Postbank and DHL. As a result, Fiat can efficiently use its liquidity for its own core competencies and meanwhile ensure that its parts distribution is based on best practices and meets the highest industry standards. Outsourcing to professional partners guarantees quick and coordinated action. So quick that Alfa driver Buckner could impress his Alfa friends in Rimini.

FINANCIAL SERVICES Corporate Division

FINANCIAL SERVICES Corporate Division*		2001	2000	Change in %
Revenue and income from banking transactions	in €m	7,604	7,990	-4.8
Profit from operating activities (EBITA)	in €m	522	505	3.4
Investments	in €m	215	289	-25.6
Segment assets	in €m	136,117	130,130	4.6
Employees calculated as FTEs, excluding trainees	as of Dec. 31	11,245	11,299	-0.5

*In line with the accounting policies applied by industrial companies, the revenue presented here includes the entire interest and commission income, irrespective of the refinancing costs or commission expenses.

The FINANCIAL SERVICES Corporate Division comprises Postbank and the Pension Service. The latter handles pension payments for the statutory pension and accident insurance funds as well as for various occupational pension providers. The retail outlets are included in this corporate division's organizational structure.

Consolidation pressure is growing

The pressure on markets for financial services has continued to grow. As Germany's financial sector has experienced relatively little consolidation in comparison with the rest of the world, shakeouts were particularly evident on the German market. Small financial service providers have merged to form larger units. A growing number of bancassurance providers are emerging, offering insurance services in addition to traditional banking products. Competition among online brokers was particularly tough due to the global economic downturn. Some providers have now disappeared from the market.

We are well prepared for the stiffer competitive environment. Today, Postbank is already offering its customers the full range of banking products: from payments through loans and investments to leasing. Postbank's offering also includes insurance. As a multi-channel bank, our customers can reach us in different ways: in person in our retail outlets or on the telephone, in writing by letter and electronically via the Internet.

Falling interest rates cut revenue

The corporate division's revenue results predominantly from interest, commission and trading income. This fell by 4.8% over the previous year to €7,604 million due to the drop in interest rates on the money market in 2001.

Earnings rise again

During the year under review, the corporate division again succeeded in increasing its profit from operating activities (EBITA) which rose from €505 million in 2000 to €522 million. Other expenditure fell by 5.5%; this included provisions for credit risks, staff costs and material expense, and net other income and expenses. Higher provisions for credit risks were offset by improvements in all other areas. Income from the banking business rose in total by 2.5%: although net interest income fell by €12 million, net commission and investment income and the trading profit were €65 million above the previous year's figure of €462 million.

EBITA

in €m

Continued growth in key product groups

Developments in the checking accounts business throughout 2001 were positive overall. The number of private checking accounts continued to grow, from 3.63 million in the previous year to 3.75 million in the year under review, with the rate of growth rising to 3.2% from 1.9% in the previous year. In the corporate customer segment, we succeeded in breaking the long-standing trend toward consolidation: the number of checking accounts rose again in the final quarter of the year under review for the first time since 1993. In addition, new customers are making much more active use of their accounts and are more open to other products. At 367,000, the number of corporate checking accounts is just slightly lower than the previous year's figure of 375,000. Direct banking has continued to expand, with a 25.5% increase in accounts managed online. The number of phone banking accounts also increased by 20.4%. In this segment, we continue to hold a leading position on the German market.

Overall development of the deposit and investment business was satisfactory. Despite the slump on the international capital markets, we were able to increase the number of customer investment fund accounts by 21.2% from 510,000 to 618,000. At the same time, the number of direct brokerage accounts rose by 12.0% from 250,000 to 280,000. Nevertheless, the downward trend on the capital markets was noticable: although the number of investment account holders rose, the value of the securities and investment fund shares held by our customers – including direct brokerage – remained stable at €4.3 billion. Despite a poor performance in the previous year, growth in deposit banking was positive in 2001; at €32.4 billion, savings deposits exceeded the level in 2000.

Postbank at a glance

		2001	2000	Change in %
Private checking accounts	millions	3.75	3.63	3.2
Corporate checking accounts	millions	0.37	0.38	-2.2
Online banking	millions	1.02	0.81	25.5
Telephone banking	millions	1.79	1.49	20.4
Investment accounts (direct brokerage)	millions	0.28	0.25	12.0
Accident insurance	thousands	59.6	29.9	99.3
Life insurance	thousands	80.5	47.1	70.9
Savings deposits	in €bn	32.4	31.0	4.5
Fund assets	in €bn	3.4	3.5	-3.7
Private loans	in €bn	0.7	0.6	24.5
Building loans	in €bn	13.3	12.4	7.3
Commercial financing, bank refinancing, international public-sector lending	in €bn	19.0	16.3	16.9

Developments in the lending business were also positive. The volume of private loans granted by us has risen again. In an overall restrained market, we recorded growth of 24.5% to €741 million. Despite the poor state of the building industry, the private building loans business also recorded positive developments. Our private building loans portfolio rose by 7.3% from €12.4 billion to €13.3 billion. There has also been considerable growth in commercial financing, where our position rose by 16.9% on the previous year to €19.0 billion. Of this, €12.1 billion was attributable to loans for bank refinancing and €2.5 billion to the international public-sector lending business. Developments in commercial real estate finance were also particularly buoyant, with new business in this segment amounting to more than €1.3 billion.

The insurance business, which only began in 1999, was also encouraging. PB Versicherung was able to increase the number of policies in its accident segment by 99.3% to 59,600 and the number of life insurance policies by 70.9% to 80,500.

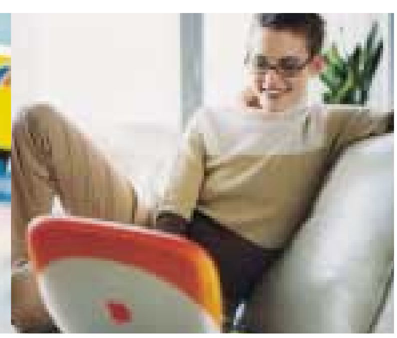
Investing in the technology of the future

Investments in information technology also increased in 2001. Working together with SAP, we continued to develop the standard software for banks, concentrated our information technology resources on a central data center and improved our online offering. In addition to new, high-performance banking computers, we can now provide the account details for all savings, loan and building loan accounts online. Our online private loans, which can be approved on screen if the customer has sufficient creditworthiness, have been particularly successful.

In a joint venture with Siemens Business Services, we are also developing a new system for domestic and international payments. This alliance will provide us with a second major IT systems component that will supplement the standard banking software to create the banking transaction technology of the future.

Move into logistics finance

With retroactive effect from January 1, 2001, Postbank acquired the New York-based company BHF (USA) Holdings Inc. The company's core businesses are corporate finance and commercial real estate loans. At December 31, 2001, its total assets amounted to €3.6 billion. With this move, Deutsche Post World Net has created a strategic platform to develop global logistics finance, providing DHL and Danzas with effective support on the attractive US market.

The high-growth cards market

The guaranteed cover for eurocheques was abolished at the end of 2001, boosting the importance of card-based payments. Today, we are already a full-service provider in this area and a major card issuer, with more than five million credit, EC and customer cards in circulation. We also offer our approximately 400,000 corporate customers settlement of card-based payments for all card systems from a single source. To help us do this, we established a joint venture with US company First Data Merchant Services, the world's largest credit card processor, in September 2001.

Retail outlets – a unique customer access channel and a broad product offering

Around three-quarters of Postbank's business transactions take place at its almost 13,000 retail outlets. This comprehensive outlet network provides two to three million customers across Germany with access to the Group's extensive product offering every day.

We want to continue improving the efficiency of the outlet network by using it increasingly as a sales channel for third-party products and services. Today, our retail outlets already provide telecommunication services and products and electricity supply contracts. In future, the range will include additional services – particularly those associated with a change of address. Other services currently being planned include municipal registration facilities, vehicle registration or Pay-TV. This means that our customers will be able to do more than just apply to have their mail forwarded or find information on moving house. In future they will be able to buy a wide range of products for many areas of everyday life in the comfort of one of our retail outlets which will thus become a one-stop-shopping address.

In order to intensify our sales activities, around 20,000 sales staff and 3,300 consultants have received extensive training on 44,000 training days.

Retail outlet network: Trends			
as of December 31	2001	2000	Change in %
Number of retail outlets	**12,818**	**13,663**	**-6.2**
Company-operated outlets	5,331	5,590	-4.6
Partner-operated outlets	7,487	8,073	-7.3
thereof "Center" outlets	663	482	37.6
Total opening hours for retail outlet network (hours per week)	**539,000**	**553,000**	**-2.5**
Average number of weekly opening hours (hours per retail outlet)	**42**	**41**	**2.5**
Share of customers served in open service outlets	**78%**	**70%**	
Number of employees in retail outlets (rounded headcount)	**45,000**	**47,350**	**-5.0**
Own retail outlets	23,300	24,150	-3.5
Partner outlets	21,700	23,200	-6.5
thereof consultants in "Center" and major outlets (headcount)	**3,312**	**2,848**	**16.3**
Consultants for postal and new services	1,224	1,048	16.8
Consultants for financial services	2,088	1,800	16.0
Customer satisfaction with retail outlets			
Subjective satisfaction (Ipsos satisfaction study)	74%	74%	
Objective satisfaction (EMNID customer satisfaction survey)	90%	87%	

Outlook

We intend to intensify the corporate customer business in particular.

Through our new acquisition BHF (USA) Holdings Inc. we will be breaking into the international market segment for logistics finance.

We will streamline costs by refocusing our sales efforts on new channels. During the year under review, we already reduced the number of our call centers from eleven to three. We will further reduce the number of our business locations from thirteen to ten. The staff cuts that this entails will be socially responsible, and undertaken in concert with our social partners.

Deutsche Post World Net's Pension Service has won a European tendering process, and in future will also be responsible for the international pension payments of Pensionsversicherungsanstalt der Arbeiter in Austria.

It is not only size which counts for Deutsche Post World Net: we also want to be as profitable as possible. In a year characterized by an economic downturn, we were able to surpass the record results of the previous year. This clearly demonstrates that we have made great progress in our efforts to become the leading logistics company worldwide.

Another year of good figures speaks for itself.

Income Statement

For the period January 1 to December 31, 2001

in €m	Note	Deutsche Post World Net 2001	Deutsche Post World Net 2000
Revenue and income from banking transactions	(9)	33,379	32,708
Other operating income	(10)	1,576	1,209
Total operating income		**34,955**	**33,917**
Materials expense and expenses from banking transactions	(11)	-16,039	-15,591
Staff costs	(12)	-11,240	-11,056
Depreciation and amortization expense, excluding goodwill amortization	(13)	-1,064	-1,047
Other operating expenses	(14)	-4,059	-3,844
Total operating expenses excluding goodwill amortization		**-32,402**	**-31,538**
Profit from operating activities before goodwill amortization (EBITA)		**2,553**	**2,379**
Goodwill amortization	(15)	-171	-144
Profit from operating activities (EBIT)		**2,382**	**2,235**
Net income from associates	(16)	-130	6
Net other finance costs	(17)	-99	-203
Net finance costs		**-229**	**-197**
Profit from ordinary activities		**2,153**	**2,038**
Income tax expense	(18)	-560	-511
Net profit for the period before minority interest		**1,593**	**1,527**
Minority interest	(19)	-10	-15
Consolidated net profit for the period		**1,583**	**1,512**

in €			
Basic and diluted earnings per share	(20)	1.42	1.36
Dividend per share proposed or paid	(21)	0.37	0.27

Balance Sheet

As of December 31, 2001

in €m Assets	Note	Deutsche Post World Net 2001	Deutsche Post World Net 2000
Noncurrent assets			
Intangible assets	(22)	1,787	1,482
Property, plant and equipment	(23)	8,395	8,987
Long-term investments	(24)		
Investments in associates		1,108	459
Other long-term investments		1,014	153
		2,122	612
		12,304	**11,081**
Current assets			
Inventories	(25)	163	169
Receivables and other assets	(26)	4,834	6,697
Receivables and investment securities from financial services	(27)	135,904	128,577
Current financial instruments	(28)	39	32
Cash and cash equivalents		1,966	1,906
		142,906	**137,381**
Deferred tax assets	(29)	**1,491**	**1,818**
		156,701	**150,280**
Equity and liabilities			
Equity			
Issued capital	(30)	1,113	1,113
Reserves	(31)	2,657	1,376
Consolidated net profit	(32)	1,583	1,512
		5,353	**4,001**
Minority interest	(33)	**75**	**79**
Provisions			
Provisions for pensions and other employee benefits	(34)	6,627	6,720
Tax provisions	(35)	1,311	1,352
Other provisions	(36)	3,033	3,035
		10,971	**11,107**
Liabilities			
Financial liabilities	(37)	2,308	2,413
Trade payables	(38)	2,404	2,600
Liabilities from financial services	(39)	131,532	125,370
Other liabilities	(40)	4,058	4,710
		140,302	**135,093**
		156,701	**150,280**

Cash Flow Statement

As of December 31, 2001

in €m	Deutsche Post World Net 2001	Deutsche Post World Net 2000
Net profit before taxes	2,153	2,038
Gains on disposal of noncurrent assets	-139	-159
Depreciation and amortization expense	1,285	1,204
Non-cash income and expense	252	221
Net interest income	144	175
Net profit before changes in working capital/Cash flow I	**3,695**	**3,479**
Changes in current assets and liabilities		
Inventories	6	-50
Receivables and other assets	1,752	-350
Current financial instruments	-7	76
Receivables/liabilities from financial services	-1,169	-1,793
Provisions	-246	296
Liabilities and other items	-898	864
Net cash from operations/Cash flow II	**3,133**	**2,522**
Interest paid	-194	-341
Interest received	46	94
Taxes paid	-81	-230
Net cash from operating activities/Cash flow III	**2,904**	**2,045**
Proceeds from disposal of noncurrent assets		
Divestitures	2	4
Other noncurrent assets	1,047	841
	1,049	845
Cash paid for investments in noncurrent assets		
Acquisition of companies	-1,240	-1,260
Other noncurrent assets	-2,228	-1,853
	-3,468	-3,113
Net cash used in investing activities	**-2,419**	**-2,268**
New financial liabilities	335	649
Redemption of financial liabilities	-460	-151
Dividends and other payments to owners	-300	-246
Net cash used in (previous year: net cash from) financing activities	**-425**	**252**
Net change in cash and cash equivalents	60	29
Cash and cash equivalents at Jan. 1	1,906	1,877
Cash and cash equivalents at Dec. 31	**1,966**	**1,906**

Statement of Changes in Equity

For the period January 1 to December 31, 2001

in €m	Issued capital	Reserves			Consolidated net profit	Total equity
		Capital reserves	Retained earnings	IAS 39 reserves		
Balance at Jan. 1, 2000	**1,094**	**376**	**70**	**0**	**1,024**	**2,564**
Capital transactions with owner						
Capital contribution from retained earnings	19	-19				0
Dividend					-179	-179
Other changes in equity not recognized in income						
Currency translation differences			26			26
Other changes		-61	139			78
Changes in equity recognized in income						
Appropriation to retained earnings			845		-845	0
Consolidated net profit					1,512	1,512
Balance at Dec. 31, 2000	**1,113**	**296**	**1,080**	**0**	**1,512**	**4,001**
First-time application of IAS 39			134	238		
Balance at Jan. 1, 2001	**1,113**	**296**	**1,214**	**238**	**1,512**	**4,373**
Capital transactions with owner						
Capital contribution from retained earnings						
Dividend					-300	-300
Other changes in equity not recognized in income						
Currency translation differences			-3			-3
Other changes		42	-10	-332		-300
Changes in equity recognized in income						
Appropriation to retained earnings			1,212		-1,212	0
Consolidated net profit					1,583	1,583
Balance at Dec. 31, 2001	**1,113**	**338**	**2,413**	**-94**	**1,583**	**5,353**

Notes to the Consolidated Financial Statements of Deutsche Post World Net for the period ended December 31, 2001

1. Basis of accounting

The consolidated financial statements of Deutsche Post World Net for fiscal year 2001 were prepared in accordance with the International Accounting Standards (IASs) adopted and published by the International Accounting Standards Committee (IASC) (now the International Accounting Standards Board), and with the interpretations issued by the Standing Interpretations Committee (SIC), required to be applied as of the reporting date.

The requirements of the standards applied have been satisfied, and the consolidated financial statements of Deutsche Post World Net therefore provide a true and fair view of its net assets, financial position and results of operations.

The accounting and measurement policies, as well as the explanations and disclosures on the IAS consolidated financial statements for fiscal year 2001 are generally based on the same accounting and measurement policies used in the 2000 consolidated financial statements. Changes in accounting and measurement policies resulted from the first-time application of IAS 39. Details of such changes are presented in note 6.

By publishing IAS financial statements, Deutsche Post AG has made use of the option contained in section 292a of the HGB (German Commercial Code) to prepare its consolidated financial statements in accordance with internationally accepted accounting principles and to dispense with preparation of consolidated financial statements in accordance with the requirements of the German Commercial Code. The assessment as to whether the consolidated financial statements and the Group management report comply with the EC 7th Directive was based on the interpretation by the German Accounting Standards Board of the German Accounting Standards Committee (GASC) published as German Accounting Standard No. 1 (GAS 1).

The fiscal year of Deutsche Post AG and its consolidated subsidiaries is generally the calendar year. Deutsche Post AG, whose registered office is in Bonn, Heinrich-von-Stephan-Strasse 1, is registered in the commercial register of the Bonn Local Court.

The consolidated financial statements are prepared in euros (€). All amounts are given in millions of euros (€m).

2. Significant differences between International Accounting Standards and German accounting principles

The accompanying consolidated financial statements incorporate the following significant accounting and measurement methods that differ from German law:

- Internally generated intangible assets are recognized where these meet the criteria for recognition as assets.
- Goodwill resulting from the acquisition of subsidiaries to be consolidated is capitalized and amortized. The amounts of goodwill eliminated directly against reserves in accordance with HGB accounting principles prior to adoption of the IASs have also been capitalized.
- Pension provisions are measured using the projected unit credit method reflecting future compensation trends and the corridor rule in accordance with IAS 19. Both indirect and direct pension obligations (defined benefit plans) were included in the computation of pension obligations.

- Other provisions are only carried in the case of obligations to third parties that are more likely than not to arise (50% plus rule). Accruals (see note 36) are carried under liabilities.
- Translation of foreign currency receivables and liabilities at the reporting date rate, with recognition in income of resulting changes in carrying amounts.
- Deferred tax assets and liabilities are accounted for using the balance sheet approach, using the enacted or expected tax rates for future distributions.
- In accordance with IAS 39, all financial instruments, including derivatives, are recognized on the balance sheet and measured at amortized cost or fair value, depending on certain criteria (see note 6).
- Capitalization of assets and recognition of residual liability as an expense in the case of finance leases using the allocation criteria set out in IAS 17.

3. Consolidated group

In addition to Deutsche Post AG, the consolidated financial statements for the period ended December 31, 2001 generally include all German and foreign operating companies where Deutsche Post AG directly or indirectly holds a majority of those companies' voting rights. The companies are consolidated from the date on which Deutsche Post World Net is able to exercise control.

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

Consolidated group

	Dec. 31, 2001	Dec. 31, 2000
Number of fully consolidated companies		
German	107	88
Foreign	314	316
Number of proportionately consolidated joint ventures		
German	2	2
Foreign	41	41
Number of companies accounted for at equity		
German	6	6
Foreign	15	32

65 subsidiaries (December 31, 2000: 53) were not consolidated in accordance with the principle of materiality. Eight joint ventures (December 31, 2000: four) were not consolidated because they were not material to the results of the Group. 32 associates (December 31, 2000: 14) were carried at cost because they were of minor significance to the results of the Group.

In fiscal year 2001, a total of 62 companies, of which 55 were fully consolidated, three were proportionately consolidated and four accounted for at equity, were consolidated for the first time.

These are primarily the following companies, classified as follows by the Group's corporate divisions:

Companies consolidated for the first time

	Equity interest in %	Date of first-time consolidation	Notes
FINANCIAL SERVICES			
Deutsche Postbank Fund Services GmbH, Bonn	100	Apr. 25, 2001	Formation
PB (USA) Holdings Inc., Wilmington, Delaware (formerly BHF (USA) Holdings Inc.)	100	Oct. 1, 2001	Purchased
LOGISTICS			
Nuova AEI S.P.A., Milan/Italy	100	Jan. 1, 2001	Formation and merger
Danzas Quality Cargo AS, Oslo/Norway	100	June 30, 2001	Purchased
Kelpo Kuljetus Fi OY, Helsinki/ Finland	51	Jan. 1, 2001	Change in method of consolidation
Yorkshire Exhibition Services Ltd., Staines/United Kingdom	85	Jan. 2, 2001	Purchased
EXPRESS			
Güll GmbH, Lindau	51	Jan. 1, 2001	Purchased
Presse Service Güll GmbH, St. Gallen	51	Jan. 1, 2001	Purchased
NP Consult Gesellschaft für Beratung und Vermittlung im Kurier- und Beförderungswesen mbH, Bad Homburg v.d.H.	100	Jan. 1, 2001	Purchased

Significant acquisitions or first-time consolidations of subsidiaries in the LOGISTICS segment had the following effect on net assets and results of operations:

LOGISTICS

in €m Amounts at December 31, 2001	Nuova AEI	Danzas Quality Cargo	Kelpo Kuljetus
Assets	186	9	10
Liabilities and provisions	163	7	9
Revenue	486	23	27
Profit for the period after taxes	5	1	0
Purchase price	61	7	6
Goodwill	42	5	6

Deutsche Postbank AG acquired BHF (USA) Holdings Inc. together with its operating units, from BHF-Bank AG, Frankfurt am Main, giving it a strategic platform to develop its logistics financing worldwide, and especially in the US market. The core business segments of BHF Holdings are corporate finance and commercial real estate loans. The purchase price amounted to €278 million. This acquisition produced goodwill of €15 million, which will be amortized over 20 years. The company was renamed PB (USA) Holdings Inc., Wilmington, Delaware.

This acquisition had the following effects on net assets, financial position and results of operations:

FINANCIAL SERVICES

in €m Amounts at December 31, 2001	PB (USA) Holdings Inc.
Assets	3,622
Liabilities and provisions	3,348
Revenue	43
Profit for the period after taxes	5

In fiscal year 2001, Deutsche Post World Net acquired an additional 21.38% interest in DHL International Limited (DHLI), Bermuda. The purchase price for the additional shares amounted to €797 million. Deutsche Post World Net now thus holds a 46.39% interest in DHLI. The goodwill previously held from DHLI increased by €633 million to €845 million. The goodwill amounted to €802 million at December 31, 2001, and is reduced by straight-line amortization over 20 years. In addition, DHLI was granted an interest-free loan that is covered by an option to convert it into ordinary shares or bear interest in arrears, in the amount of €708 million. As before, the investment in DHLI is carried at equity in the consolidated financial statements.

Other acquisitions in the EXPRESS segment had the following effects on the Group's net assets and results of operations:

EXPRESS

in €m Amounts at December 31, 2001	NP Consult	Presse Service Güll GmbH	Güll GmbH
Assets	0	4	7
Liabilities and provisions	1	4	6
Revenue	2	2	27
Profit for the period after taxes	0	-11	13
Purchase price	2	1	4
Goodwill	2	1	1

In addition, Deutsche Post Service- und Vertriebsgesellschaft mbH and McPaper Aktiengesellschaft were split up into regional companies. This move increased the consolidated group by 21 companies.

Overall, €1,240 million was spent on acquisitions in fiscal year 2001. The purchase prices of the companies acquired were settled exclusively on a cash basis.

The following asset and earnings items are attributable to the Group on the basis of its equity interest in the joint ventures:

Joint ventures

in €m	Dec. 31, 2001
Noncurrent assets	237
Current assets	198
Liabilities and provisions	154
Revenue	772
Profit for the period after taxes	7

38 subsidiaries, three joint ventures and 21 associates have been excluded from consolidation since December 31, 2000. Of this total, six companies were sold, three were liquidated and 24 merged with other consolidated companies. The method of consolidation was changed for 29 companies. This primarily relates to the following companies:

Companies excluded from consolidation

	Date of exclusion	Notes
FINANCIAL SERVICES		
Deutsche Postbank Invest Kapitalanlage-gesellschaft mbH, Bonn	Jan. 1, 2001	Merger
EXPRESS		
YellowStone International Mailing Inc., Elk Grove Village/USA	Feb. 12, 2001	Merger
Nedlloyd Road Cargo N.V., Bettembourg, Belgium	Sept. 30, 2001	Sold
Deutsche Post Wert Logistik GmbH, Bonn	July 1, 2001	Sold
LOGISTICS		
Danzas Holding GmbH, Frankfurt am Main	June 1, 2001	Merger

Changes in the consolidated group due to the sale of the following significant subsidiaries had the following effect on the Group's net assets and financial position:

Deconsolidations

in €m	Deutsche Post Wert Logistik GmbH*	Nedlloyd Road Cargo N.V.*
Assets	5	3
Liabilities and provisions	3	4
Revenue	2	1
Loss for the period after taxes	-11	-2

* Amounts at the date of deconsolidation. There were no material deconsolidation gains.

A list of significant subsidiaries, joint ventures and associates is presented in note 47. A complete list of Deutsche Post AG's shareholdings has been filed with the commercial register of the Bonn Local Court.

4. Foreign currency translation

Based on the functional currency method, the financial statements of consolidated companies prepared in foreign currencies are translated into euros (the reporting currency) in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). The foreign currency of all foreign companies of Deutsche Post World Net is the local currency, as the companies operate independently in terms of their financial and business activities and organizational structures. Assets and liabilities are therefore translated at the middle rates prevailing at the consolidated closing date, while income and expenses are generally translated at average rates for the year. The resulting exchange differences are taken directly to equity.

Goodwill resulting from the capital consolidation of foreign companies is translated at the rates prevailing at the transaction dates and amortized over its useful life.

The following exchange rates were generally applied to foreign currency translation in the Group (see table on page 111).

The carrying amounts of non-monetary assets recognized in the case of consolidated companies operating in hyperinflationary economies are 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 cash and cash equivalents in the single-entity financial statements of consolidated companies that have been prepared in local currencies are translated at the buying rate at the balance sheet date, while foreign currency liabilities are translated at the selling rate. Exchange differences are recognized in other operating income and expenses in the income statement.

5. Consolidation methods

The consolidated financial statements are based on the annual financial statements of Deutsche Post AG and its consolidated subsidiaries, which are generally prepared in accordance with uniform accounting policies as of December 31, 2001 and audited and certified by independent auditors.

First-time consolidation of subsidiaries uses the purchase method of accounting in accordance with IAS 22 (Business Combinations). The cost of acquisition of the purchased interests is eliminated against the proportionate equity of the subsidiary. Purchased assets and liabilities are recognized in the consolidated balance sheet at their fair values where these are attributable to Deutsche Post World Net. Any remaining excess of cost of acquisition over net assets acquired is recognized as goodwill in intangible assets and amortized over its useful life. In accordance with IAS 22.64 (revised 1998), negative goodwill from first-time-consolidation is deducted from the Group's intangible assets. Income from the reversal of negative goodwill is recognized in the income statement under other operating income.

Currency

Country	Currency	Closing rates 2001 €1=	Closing rates 2000 €1=	Average rates 2001 €1=	Average rates 2000 €1=
USA	USD	0.88130	0.93050	0.89347	0.92406
Germany	DEM	1.95583	1.95583	1.95583	1.95583
Australia	AUD	1.72800	1.67700	1.73266	*
Switzerland	CHF	1.48290	1.52320	1.51038	1.55777
United Kingdom	GBP	0.60850	0.62410	0.62054	0.60941
Sweden	SEK	9.30120	8.83130	9.26121	8.44608
Poland	PLZ	3.49530	3.84980	3.66244	4.00808
Czech Republic	CZK	31.96200	35.04700	34.04237	35.66721
Denmark	DKK	7.43650	7.46310	7.45169	*
Austria	ATS	13.76030	13.76030	13.76030	13.76030
Belgium	BEF	40.33990	40.33990	40.33990	40.33990
France	FRF	6.559570	6.55957	6.55957	6.55957
Ireland	IEP	0.78756	0.78756	0.78756	0.78756
Italy	ITL	1,936.27000	1,936.27000	1,936.27000	1,936.27000
Netherlands	NLG	2.20371	2.20371	2.20371	2.20371
Hungary	HUF	245.18000	265.00000	256.24532	*
Portugal	PTE	200.48200	200.48200	200.48200	200.48200
Spain	ESP	166.38600	166.38600	166.38600	166.38600

*No amounts given as not relevant at December 31, 2000.

As a rule, joint ventures are proportionately consolidated in accordance with IAS 31: assets and liabilities, and income and expenses, of jointly controlled companies in proportion to the interest in these companies. Proportionate capital consolidation and recognition and measurement of goodwill use the same methods as applied to the consolidation of subsidiaries.

Companies on which the parent has a significant influence (associates) are carried at equity using the purchase method. Any goodwill is reported under investments in associates.

Intragroup revenue, other operating income and expenses, as well as receivables, liabilities and provisions, are eliminated. Intercompany profits or losses from intragroup deliveries and services not realized by sale to third parties are eliminated.

6. Application of IASs and SIC interpretations

The consolidated financial statements of Deutsche Post AG are based on the IASs and SIC interpretations required to be applied at the date of their preparation.

IAS 39 (Financial Instruments: Recognition and Measurement) was applied for the first time in Deutsche Post's 2001 consolidated financial statements.

IAS 39 governs the recognition and measurement of financial instruments, which include both primary financial instruments and derivatives. All financial instruments must be recognized on the balance sheet. All financial instruments were reclassified and measured at the date of first-time application in accordance with the standards set out in IAS 39.

Application of IAS 39 resulted in the changes in presentation, recognition and measurement described below. More detailed explanations are contained in the notes to the relevant balance sheet items, in particular to those items representing the business operations of the Deutsche Postbank group.

IAS 39 defines the following four categories of financial instruments:

Held-to-maturity financial instruments are financial assets that the company has the positive intent and ability to hold to maturity. Fixed or determinable payments are also necessary. These financial instruments are measured at amortized cost. No financial assets classified as held-to-maturity financial instruments are carried in the non-current assets of Deutsche Post World Net. The Deutsche Postbank group reports held-to-maturity financial instruments amounting to €4,167 million under "Receivables and investment securities from financial services" (see note 27 ff.).

Financial assets amounting to €41,922 million were classified as available for sale, of which the Deutsche Postbank group holds €41,634 million and the other companies of the Post Group €288 million. These relate to financial instruments that are available for sale. They are generally measured at their fair values, where these can be measured reliably, or if not, at amortized cost. Deutsche Post World Net has made use of the option to generally recognize changes in the fair values of these financial instruments directly in equity.

Assets and liabilities classified as loans, receivables and liabilities originated by the enterprise relate largely to originated loans, receivables, financial instruments and liabilities. These are generally measured at amortized cost or redemption amounts. This did not result in any measurement and accounting changes in the Group.

All assets and liabilities held for trading, as well as derivatives, were allocated to the held for trading category. They are generally measured at their fair values and all changes in fair values are recognized in income. Financial assets in the amount of €2,613 million were classified by the Deutsche Postbank group as held for trading and are carried under "Receivables and investment securities from financial services". Financial instruments held for trading with negative fair values were reported under "Liabilities from financial services" in the amount of €2,973 million. The other companies in Deutsche Post World Net reported derivatives with negative fair values amounting to €14 million under "Other liabilities".

In accordance with IAS 39, all derivatives are measured at their fair values, with remeasurement gains and losses recognized in income, even if they do not satisfy the strict criteria for hedge accounting set out in IAS 39.142. Fair value measurement is also applied irrespective of the effectiveness of the hedges.

IAS 39 restricts the recognition of hedges (hedge accounting). For example, only hedges that are classified as effective in accordance with IAS 39.146 qualify for hedge accounting. A distinction is made between ineffective and effective hedges.

In the case of fair value hedges, assets and liabilities are hedged against changes in value where these changes are based on price risks. In accordance with IAS 39.153, the gain or less on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized immediately in net profit or loss.

Derivatives are measured at the trade date, other financial instruments are measured at the settlement date.

Prior-period amounts were not restated at the date of first-time application of IAS 39, and this standard is applied prospectively, as required by IAS 39.171.

7. Restatement of prior-period amounts

Prior-period amounts in the statements of changes in noncurrent assets were restated due to the separate disclosure of exchange differences. Additional disclosures are contained in the notes to the corresponding items.

The Danzas group's pensions-related obligations were separated from the pension provisions and reported under other employee benefits. Prior-period amounts were restated accordingly.

8. Segment reporting

Segments by corporate division

in €m	MAIL		EXPRESS		LOGISTICS		FINANCIAL SERVICES		Other/ Consolidation		Group	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
External revenue	10,280	10,385	6,163	5,753	8,938	8,094	7,583	7,969	415	507	33,379	32,708
Internal revenue	1,427	1,348	258	269	215	195	21	21	-1,921	-1,833	0	0
Total revenue	11,707	11,733	6,421	6,022	9,153	8,289	7,604	7,990	-1,506	-1,326	33,379	32,708
Profit or loss from operating activities before goodwill amortization (EBITA)	1,960	2,004	176	76	159	113	522	505	-264	-319	2,553	2,379
Goodwill amortization	2	1	50	43	117	100	2	0	0	0	171	144
Profit or loss from operating activities (EBIT)	1,958	2,003	126	33	42	13	520	505	-264	-319	2,382	2,235
Net income from associates	0	0	-141	-2	3	7	0	0	8	1	-130	6
Segment assets	5,049	5,586	4,112	4,272	5,330	5,355	136,117	130,130	379	513	150,987	145,856
Investments in associates	0	0	1,082	427	26	31	0	0	0	1	1,108	459
Segment liabilities	1,246	1,405	957	934	2,097	2,213	133,147	127,752	518	354	137,965	132,658
Segment investments	468	587	349	545	448	1,665	215	289	47	111	1,527	3,197
Depreciation, amortization and write-downs	518	512	288	266	255	235	125	119	49	59	1,235	1,191
Other non-cash expenses	115	117	45	11	90	30	195	189	366	398	811	745
Employees by segment*	**143,847**	**146,289**	**47,774**	**45,920**	**44,904**	**39,695**	**11,832**	**12,011**	**36,159**	**37,994**	**284,516**	**281,909**

* Number of employees calculated as averages for fiscal years 2001 and 2000 (FTEs).

Segments by region

in €m	Germany		Europe ex-Germany		Americas		Asia/Pacific		Other regions		Group	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
External revenue	22,398	23,159	8,188	7,303	1,680	1,402	915	764	198	80	33,379	32,708
Segment assets	128,281	131,482	17,397	12,145	5,048	1,724	205	269	56	236	150,987	145,856
Investments	1,028	1,363	431	499	49	1,272	14	60	5	3	1,527	3,197

8.1 Notes to the segment reporting

Segment reporting was prepared in accordance with IAS 14 (Segment Reporting). The presentation of specific data from the consolidated financial statements is classified by corporate divisions and regions, based on the Group's internal reporting and organizational structure. Segment reporting is designed to enable a transparent view of the earnings power, risks and rewards, net assets and financial position of the individual components of the Group's activities.

Reflecting the predominant organizational structure of the Group, the primary reporting format is based on the Group's corporate divisions. Deutsche Post AG Group distinguishes between the following corporate divisions:

MAIL

In addition to the transport and delivery of written communications, the MAIL Corporate Division increasingly positions itself as an end-to-end service provider for the management of written communications.

EXPRESS

The EXPRESS Corporate Division is home to Deutsche Post AG's national and international parcels and express activities. The Global Mail Business Division is also allocated to this corporate division to ensure common management of international mail activities.

LOGISTICS

The LOGISTICS Corporate Division consists of the Danzas subgroup with 320 companies. Customers are offered a one-stop end-to-end service: air and ocean freight, European overland transport and custom logistics solutions.

FINANCIAL SERVICES

The FINANCIAL SERVICES Corporate Division covers Postbank's activities. This corporate division also provides pension payment services. It offers a wide range of standardized banking services, including payments, deposits, retail and corporate banking, fund products and – since September 1, 2000 – investment securities services.

The information on the corporate divisions is presented after eliminating intrasegment transactions. Transactions between the corporate divisions are eliminated in the Other/Consolidation segment to ensure reconciliation with the amounts in the consolidated financial statements. The Other/Consolidation segment also includes amounts not attributable to specific corporate divisions, such as real estate and housing activities, and eBusiness.

8.2 Notes to the amounts of the segments by corporate division (primary reporting)

- External revenue is the revenue generated by the corporate divisions from non-Group third parties.
- Internal revenue is revenue generated with other corporate divisions. Transfer prices for intragroup revenue are determined on an arm's length basis. For services for which no external market exists, transfer prices are based on fully absorbed costs. The additional costs resulting from Deutsche Post AG's universal 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 Corporate Division. From January 1, 2001 a new collective pay agreement for hourly workers has been effective, which for the first time provides for wages common in the competitive environment. Compensation (€134 million) unusual in the competitive environment is included there in favor of the other corporate divisions – in particular EXPRESS with €115 million.

- The segment revenue and expense of the FINANCIAL SERVICES Corporate Division also includes the Deutsche Postbank group's interest income and expense, which is allocated to the business operations of this corporate division.
- Segment assets are composed of noncurrent assets (intangible assets and property, plant and equipment) and current assets (excluding income tax receivables, cash and cash equivalents, and current financial instruments) including receivables from financial services. Purchased goodwill is allocated to the corporate divisions.
- Segment liabilities relate to non-interest bearing liabilities (excluding income tax liabilities) and to liabilities from financial services.
- Segment investments relate to intangible assets (including purchased goodwill) and property, plant and equipment.
- Depreciation, amortization and write-downs relate to the segment assets allocated to the individual corporate divisions.
- Other non-cash expenses relate primarily to the cost of recognizing provisions.

8.3 Notes to the amounts of the segments by region (secondary reporting)

- The allocation of external revenue is based on the location of the customers. Only revenue generated from non-Group third parties is disclosed.
- Segment assets are allocated to the location of the assets. They are composed of the noncurrent assets (intangible assets and property, plant and equipment) and current assets (excluding cash and cash equivalents and current financial instruments) of the individual regions. Segment assets also include purchased goodwill, which is generally allocated by the domicile of the companies concerned.
- Segment investments are also allocated on the basis of the location of the assets concerned. They include investments in intangible assets (including purchased goodwill) and property, plant and equipment.

Notes to the income statement

9. Revenue and income from banking transactions

Revenue is generally recognized when services are rendered, goods or products are delivered and interest, commissions and other income from banking transactions are collected, where the amount of revenue can be reliably measured and it is probable that the economic benefits from the transactions will flow to the Group. Revenue and income from banking transactions is composed as follows:

Revenue and income from banking transactions

in €m	2001	2000
Revenue	25,880	24,806
Income from banking transactions	7,499	7,902
	33,379	**32,708**

€844 million of the revenue increase is attributable to the Danzas group, and was due primarily to acquisitions in fiscal year 2001 and recognition of the full-year revenue of the acquisitions in fiscal year 2000.

As in the prior-year period, there was no revenue or income from banking transactions in fiscal year 2001 that was generated on the basis of barter transactions.

The further classification of revenue by corporate divisions and the allocation of revenue and income from banking transactions to geographical regions is presented in the accompanying segment reporting (see note 8).

The following table shows the composition of income from banking transactions.

Income from banking transactions

in €m	2001	2000
Interest income		
Interest income from credit and money market transactions	3,665	4,240
Interest income from fixed-income securities and book-entry securities	2,877	3,108
Income from shares and other non-fixed-income securities	38	24
Other interest income	385	0
	6,965	**7,372**
Commission income	478	525
Net trading income	56	5
	7,499	**7,902**

The fall in income from banking transactions results primarily from the lower interest rates in fiscal year 2001 compared with the previous years.

10. Other operating income

Other operating income is composed as follows:

Other operating income

in €m	2001	2000
Income from the reversal of provisions	346	145
Proceeds from disposal of intangible assets and property, plant and equipment	221	248
Income from the elimination of negative goodwill of Deutsche Postbank AG	215	215
Income from prior-period billings	187	51
Rental and lease income	102	104
Income from currency translation and exchange rate differences	78	51
Income from the reversal of bad debt losses and write-downs charged on receivables and investment securities	63	5
Income from the reversal of bad debt allowances	41	12
Income from Telekom cooperation agreement	30	0
Income from the derecognition of liabilities	27	3
Work performed by the enterprise and capitalized	25	2
Income from housing industry cost equalization	23	24
Income from loss compensation	20	25
Income from fees and reimbursements	15	131
Income from the disposal of long-term investments	7	24
Income from amounts received on receivables written off	10	24
Income from the disposal of real estate carried as current assets	0	14
Income from the disposal of current financial instruments	0	6
Miscellaneous	166	125
	1,576	**1,209**

Of the income from prior-period billings, €169 million relates to recoverable payroll taxes for prior-year periods relating to the conversion of indirect pension obligations into parallel obligations.

The negative goodwill from the first-time consolidation of Deutsche Postbank AG is reversed to income over ten years.

11. Materials expense and expenses from banking transactions

The materials expense and expenses from banking transactions are composed as follows:

Materials expense and expenses from banking transactions

in €m	2001	2000
Materials expense	10,584	9,718
Expenses from banking transactions	5,455	5,873
	16,039	**15,591**

The materials expense results from goods and services purchased, and is broken down as follows:

Materials expense

in €m	2001	2000
Cost of raw materials, consumables and supplies		
Office supplies	318	285
Goods purchased and held for resale	235	246
Fuel	310	178
Other expenses	45	157
	908	**866**
Cost of purchased services		
Transportation costs	7,544	7,046
Maintenance costs	603	621
Commissions paid to postal agencies	322	254
IT services	551	276
Cost of temporary staff	225	237
Internally developed software	198	173
Energy	154	165
Prior-period expenses	0	32
Other purchased services	79	48
	9,676	**8,852**
	10,584	**9,718**

The increase in IT services costs results from the cooperation agreement signed with Deutsche Telekom AG, which at the same time reduced the depreciation charges on IT equipment.

Expenses from banking transactions are composed as follows:

Expenses from banking transactions

in €m	2001	2000
Interest expense on liabilities	4,633	5,790
Other interest expenses	698	0
Interest expense on hybrid capital	49	0
Commission expense	75	77
Expenses from insurance operations	0	6
	5,455	**5,873**

The €418 million reduction in expenses from banking transactions resulted primarily from the lower interest rates.

12. Staff costs/Employees

Staff costs are composed as follows:

Staff costs

in €m	2001	2000
Wages, salaries and emoluments	8,565	8,323
Retirement benefit expenses	1,195	1,403
Social security contributions	1,305	1,130
Welfare and assistance benefits	175	200
	11,240	**11,056**

The primary component of staff costs relates to wages, salaries and emoluments, as well as all other benefits paid to employees of the Group for their services in the year under review.

Retirement benefit expenses relate to current and former employees or their surviving dependants. These expenses consist of appropriations to pension provisions, employer contributions to supplementary occupational pension plans and retirement benefit payments by the company for its employees.

Retirement benefit expenses include €706 million (previous year: €767 million) of contributions by Deutsche Post AG and €68 million (previous year: €75 million) of contributions by Deutsche Postbank AG to Bundes-Pensions-Service für Post und Telekommunikation e.V. In accordance with section 15 (1) and 16 (1) of the Postpersonalrechtsgesetz (German Postal Employees Act), Bundes-Pensions-Service für Post und Telekommunikation e.V. is the welfare fund responsible for paying pensions and other retirement benefits to retired civil servants. Since fiscal year 2000, the annual contributions have amounted to 33% of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. The contributions will decline further in the future as the number of civil servants is reduced.

Social security contributions relate in particular to statutory social security contributions paid by the company.

The average number of employees of Deutsche Post World Net classified by employee groups was as follows:

Employees

	2001	2000
Hourly workers	153,629	152,553
Civil servants	77,688	83,499
Salaried employees	85,493	78,385
Trainees	6,488	5,561
	323,298	**319,998**

The employees of companies acquired or disposed of during the year under review were included ratably. The employees of the joint venture companies have been included proportionately.

The number of full-time equivalents including trainees at December 31, 2001 was 283,330 employees (December 31, 2000: 284,890 employees).

13. Depreciation and amortization expense, excluding goodwill amortization

Depreciation and amortization is charged on the basis of the useful lives applied in the Group and listed in note 23.

Write-downs are charged if there are indications of impairment and the recoverable amount is lower than amortized cost.

Depreciation and amortization charges consist of the following:

Depreciation and amortization expense

in €m	2001	2000
Amortization of intangible assets, excluding goodwill amortization	145	110
Depreciation of property, plant and equipment		
Buildings	194	198
Technical equipment and machinery	207	190
Other equipment, operating and office equipment	518	549
	1,064	1,047

Depreciation and amortization charges for fiscal year 2001 include write-downs of €7 million (previous year: €8 million).

14. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses

in €m	2001	2000
Rental and lease expenses	856	720
Legal, consulting and audit costs	374	435
Public relations expenses	367	480
Appropriation to provisions	353	279
Travel, training and incidental staff costs	247	210
Telecommunication costs	188	198
Write-downs on receivables	177	177
Other business taxes	146	98
Voluntary social benefits	123	177
Services provided by Bundesanstalt für Post und Telekommunikation	116	128
Cost of purchased cleaning, transportation and security services	109	115
Bad debt losses and write-downs charged on receivables and investment securities from financial services	102	96
Prior-period other operating expenses	101	58
Cost of asset disposals	89	162
Compensation payments	80	145
Foreign exchange losses	69	12
Insurance costs	54	41
Entertainment costs	51	51
Warranty expenses	50	33
Contributions and fees	29	12
Current asset disposal losses	19	18
Miscellaneous	359	199
	4,059	3,844

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

15. Goodwill amortization

Goodwill is reduced by straight-line amortization over a useful life of 15 to 20 years. The useful life is determined in particular by the strategic importance to the Group of the underlying acquisitions. Additions during the year under review are amortized ratably. Amortization charges in fiscal year 2001 amounted to €171 million (previous year: €144 million).

The increase in goodwill amortization was the result of acquisitions in fiscal year 2001 and from the first-time recognition of full-year amortization for acquisitions in fiscal year 2000.

16. Net income from associates

Investments in companies on which significant control can be exercised and which are consolidated at equity contributed to net finance costs as follows:

Investments consolidated at equity

in €m	2001	2000
DHL International Limited	-140	7
trans-o-flex Schnell-Lieferdienst GmbH	-2	-8
Other Group companies	12	7
	-130	**6**

The amounts presented for fiscal year 2001 were calculated from annual financial statements that have not yet been adopted. Net income from DHLI and trans-o-flex Schnell-Lieferdienst GmbH (trans-o-flex) is composed as follows:

Net income from DHLI/trans-o-flex

in €m	DHLI	trans-o-flex
Current year goodwill amortization	-43	-1
Proportionate interest in current year net profit or loss	-97	-1
	-140	**-2**

17. Net other finance costs

The structure of net other finance costs is as follows:

Net other finance costs

in €m	2001	2000
Interest and similar expenses	-193	-261
Interest and similar income	44	81
Write-downs on current financial instruments	-6	-31
Income from noncurrent financial instruments and long-term loans	5	7
Income from other investments	51	1
	-99	**-203**

Revenue and expenses from the Deutsche Postbank group's banking transactions are not carried under net other finance costs. Revenue – in particular in the form of interest income, income from shares and investment securities and commission income – is carried under revenue and income from banking transactions (see note 9), while expenses – in particular interest and commission expenses – are carried under materials expense and expenses from banking transactions (see note 11).

The increase in other investment income is due primarily to profit transferred by an associate resulting from the sale of real estate.

18. Income tax expense

The income tax expense is composed as follows:

Income tax expense

in €m	2001	2000
Current income tax expense	84	41
Current recoverable income tax	0	-1
	84	**40**
Deferred tax income (previous year: deferred tax expense) from temporary differences	-64	1
Deferred tax expense from the reduction in deferred tax assets on tax loss carryforwards	540	470
	476	**471**
	560	**511**

The €49 million increase in income taxes results primarily from the increase in the current tax expense by €44 million.

In accordance with IAS 12 (Income Taxes), deferred tax assets and liabilities are calculated by using the tax rates expected to be enacted when the items reverse.

The tax rate of 39.9% applied to German Group companies comprises the standard tax rate of 25% plus the solidarity surcharge, as well as an average trade tax rate. Foreign Group companies use their individual income tax rate to calculate deferred tax items. The income tax rates applied for foreign companies range from 15 to 48%.

Based on profit from ordinary activities and the expected income tax expense, the reconciliation to the effective tax expense is shown below:

Reconciliation

in €m	2001	2000
Profit from ordinary activities	**2,153**	**2,038**
Expected income tax expense	859	813
Deferred tax assets on temporary differences not recognized for		
Initial differences	-370	-510
Goodwill amortization	68	64
Elimination of negative goodwill	-86	-95
Other assets and liabilities	0	-18
Deferred tax liabilities on temporary differences not recognized for		
Initial differences	0	8
Other assets and liabilities	17	8
Deferred tax assets of foreign Group companies not recognized for tax loss carryforwards	20	147
Deferred taxes not recognized for losses at foreign investees	56	0
Tax-exempt income	-1	-2
Differences in tax rates at foreign companies	-3	-16
Differences in tax rates in German income taxes	0	-2
Effect of tax reform on German deferred taxes	0	114
Effective income tax expense	**560**	**511**

The difference between the expected and the effective income tax expense is due in particular to temporary differences between the carrying amounts in the IAS financial statements and in the tax accounts of Deutsche Post AG and Deutsche Postbank AG resulting from differing carrying amounts (initial differences) in the opening tax accounts as of January 1, 1996. In accordance with IAS 12.15 (b) and IAS 12.24 (b), the Group did not recognize any tax assets on these temporary differences, which relate mainly to property, plant and equipment, the goodwill carried in the tax accounts and to pensions and other employee benefits.

The remaining temporary differences between the carrying amounts in the IAS financial statements and in the tax accounts as of December 31, 2001 amount to around €6.8 billion (previous year: €8.2 billion).

19. Minority interest

The profit for fiscal year 2001 attributable to minority shareholders amounts to €13 million (previous year: €15 million), and losses attributable to minority shareholders amount to €3 million (previous year: €0 million).

20. Earnings per share

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share) by dividing consolidated net profit by the average number of shares.

Basic earnings per share for fiscal year 2001 were €1.42 (previous year: €1.36).

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. There were 7,387,544 stock options for employees and 5,641,722 stock options for executives at the reporting date. There was no difference in the amount of basic and diluted earnings per share in the year under review.

Diluted earnings per share

	2001	2000
Average number of shares outstanding	1,112,800,000	1,112,800,000
Average number of shares after the effect of dilution	1,112,800,000	1,113,559,906
Consolidated net profit in €m	1,583	1,512
Diluted earnings per share in €	1.42	1.36

21. Dividend per share

A dividend of €412 million is being proposed for fiscal year 2001. Based on the 1,112,800,000 shares recorded in the commercial register, this corresponds to a dividend per share of €0.37. The dividend in the previous year amounted to €300 million, for a dividend per share of €0.27.

Notes to the balance sheet

22. Intangible assets

Purchased intangible assets are carried at cost. Internally generated intangible assets are carried at cost if the criteria for recognition as an asset are satisfied. This is the case in particular if future economic benefits will probably flow from the assets. In Deutsche Post World Net, these relate only to internally developed software. In addition to direct costs, the production cost of internally developed software includes an appropriate share of attributable production overheads. Any borrowing costs are not included in production costs. 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.

Intangible assets are reduced by straight-line amortization over their useful lives. Capitalized software is amortized over two to six years, licenses over the term of the license agreement.

Intangible assets are written down if there are indications of impairment and if the recoverable amount is lower than amortized cost. If the reasons for the impairment losses charged no longer apply, the write-downs are reversed.

Goodwill, including goodwill from capital consolidation, is capitalized in accordance with IAS 22 and reduced by straight-line amortization over a useful life of 15 to 20 years. The useful life is determined in particular by the strategic importance to the Group of the underlying acquisitions in terms of synergies and the potential for developing new markets. Goodwill is regularly tested for impairment. Goodwill is written down if there are indications of impairment.

The negative goodwill of Deutsche Postbank AG is reversed over ten years. The reversal period is governed by the time expected to be required for the restructuring measures necessary at the Deutsche Postbank group, as required by IAS 22.61. Income from the reversal of negative goodwill is recognized in the income statement under other operating income. The transitional provisions of IAS 22 (revised 1998) require reversal of negative goodwill over the remaining average useful life of the acquired identifiable non-monetary wasting assets of the Deutsche Postbank group, but the reversal period of 31 years calculated on this basis does not reflect the nature and economic background of the negative goodwill from the Deutsche Postbank group.

Changes in intangible assets in fiscal year 2001 are presented below, based on the opening balances in fiscal year 2000 (see table on page 122):

Intangible assets

in €m	Concessions, industrial and similar rights and assets and licenses in such rights and assets	Goodwill	Negative goodwill	Advance payments	Total
Historical cost					
Opening balance at Jan. 1, 2000	497	1,754	-2,144	5	112
Changes in consolidated group	18	52	0	0	70
Additions	247	1,286	0	11	1,544
Reclassifications	1	0	0	-3	-2
Disposals*	21	21	0	1	43
Exchange differences*	-6	1	0	0	-5
Closing balance at Dec. 31, 2000	736	3,072	-2,144	12	1,676
Changes in consolidated group	54	24	0	0	78
Additions	216	142	0	31	389
Reclassifications	3	0	0	-3	0
Disposals	132	49	0	4	185
Exchange differences	1	55	0	0	56
Closing balance at Dec. 31, 2001	**878**	**3,244**	**-2,144**	**36**	**2,014**
Amortization					
Opening balance at Jan. 1, 2000	269	104	-215	0	158
Changes in consolidated group	22	-3	0	0	19
Amortization	110	144	0	0	254
Reclassifications	-1	0	0	0	-1
Elimination of negative goodwill	0	0	215	0	215
Disposals	21	0	0	0	21
Exchange differences*	0	0	0	0	0
Closing balance at Dec. 31, 2000	379	245	-430	0	194
Changes in consolidated group	46	0	0	0	46
Amortization	145	171	0	0	316
Reclassifications	0	0	0	0	0
Elimination of negative goodwill	0	0	215	0	215
Disposals	108	8	0	0	116
Exchange differences	0	2	0	0	2
Closing balance at Dec. 31, 2001	**462**	**410**	**-645**	**0**	**227**
Carrying amount at Dec. 31, 2001	**416**	**2,834**	**-1,499**	**36**	**1,787**
Carrying amount at Dec. 31, 2000	357	2,827	-1,714	12	1,482

*Prior-period amounts have been restated to reflect the separate presentation of exchange differences.

The increase in goodwill carried as intangible assets is a result primarily of the acquisitions in fiscal year 2001.

In accordance with IAS 38, development costs of internally generated assets amounting to €124 million (previous year: €82 million) were capitalized in fiscal year 2001. This amount relates solely to development costs of internally generated software. In fiscal year 2001, research costs of €16 million were recognized as expenses.

23. Property, plant and equipment

Property, plant and equipment is carried at cost and reduced by depreciation for wear and tear. In addition to direct costs, production costs include an appropriate share of attributable overheads. Borrowing costs are not included in production costs but are expensed directly. Value added tax arising in conjunction with the acquisition or production of items of property, plant and equipment is included in the cost if it cannot be deducted as input tax.

Depreciation is generally charged using the straight-line method. Deutsche Post World Net applies the following useful lives:

Useful lives

	Years
Buildings	6 – 80
Technical equipment and machinery	3 – 13
Passenger vehicles	3 – 8
Trucks	3 – 8
Other vehicles	4 – 10
IT systems	3 – 10
Other operating and office equipment	4 – 10

Items of property, plant and equipment are written down if there are indications of impairment and if the recoverable amount is lower than amortized cost. If the reasons for the impairment losses charged no longer apply, the write-downs are reversed.

Advance payments relate only to advance payments on items of property, plant and equipment where Deutsche Post World Net has paid advances in connection with uncompleted transactions.

Assets under development relate to capitalized items of property, plant and equipment in progress for whose production internal or third-party costs have already been incurred.

There are restraints on the disposal of items of property, plant and equipment in the amount of €10 million (previous year: €1 million). Items of property, plant and equipment pledged as collateral have a total carrying amount of €5 million. Purchase commitments of €56 million were entered into for items of property, plant and equipment.

In accordance with IAS 17, beneficial ownership of leased assets is transferred to the lessee if the lessee bears substantially all the risk and rewards incident to ownership of the asset. Where Deutsche Post World Net is the beneficial owner, the asset is capitalized at the date of inception of the lease at either the fair value or at the present value of the minimum lease payments if this is less than the fair value. Depreciation methods and useful lives correspond to those of comparable purchased assets. The following table presents an overview of leased assets where the Group is the beneficial owner:

Leased assets

in €m	Land, land rights and buildings	Technical equipment and machinery	Operating and office equipment	Total
Carrying amount of leased assets	57	3	25	85
Minimum lease payments due				
Less than one year	9	1	9	19
One to five years	23	1	16	40
More than five years	30	0	0	30
Total	**62**	**2**	**25**	**89**

Changes in property, plant and equipment in fiscal year 2001 are presented below, based on the opening balances in fiscal year 2000:

Property, plant and equipment

in €m	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under development	Total
Historical cost					
Opening balance at Jan. 1, 2000	7,150	2,069	3,100	237	12,556
Changes in consolidated group	75	30	68	0	173
Additions	223	212	897	161	1,493
Reclassifications	161	-14	46	-191	2
Disposals*	393	230	611	1	1,235
Exchange differences*	-28	-6	-9	0	-43
Closing balance at Dec. 31, 2000	7,188	2,061	3,491	206	12,946
Changes in consolidated group	2	3	11	0	16
Additions	126	181	678	112	1,097
Reclassifications	55	18	52	-125	0
Disposals	222	113	949	153	1,437
Exchange differences	1	0	2	0	3
Closing balance at Dec. 31, 2001	**7,150**	**2,150**	**3,285**	**40**	**12,625**
Depreciation					
Opening balance at Jan. 1, 2000	1,137	808	1,662	1	3,608
Changes in consolidated group	32	18	29	0	79
Depreciation	198	190	549	0	937
Reversal of impairment losses	1	1	0	0	2
Reclassifications	1	-14	14	0	1
Disposals*	111	133	407	0	651
Exchange differences*	-5	-3	-5	0	-13
Closing balance at Dec. 31, 2000	1,251	865	1,842	1	3,959
Changes in consolidated group	1	-1	8	0	8
Depreciation	194	207	518	0	919
Reversal of impairment losses	0	0	0	0	0
Reclassifications	0	0	-1	1	0
Disposals	57	67	533	0	657
Exchange differences	-1	0	2	0	1
Closing balance at Dec. 31, 2001	**1,388**	**1,004**	**1,836**	**2**	**4,230**
Carrying amount at Dec. 31, 2001	**5,762**	**1,146**	**1,449**	**38**	**8,395**
Carrying amount at Dec. 31, 2000	5,937	1,196	1,649	205	8,987

* Prior-period amounts have been restated to reflect the separate presentation of exchange differences.

24. Long-term investments

Investments in associates are carried at equity in accordance with IAS 28 (Accounting for Investments in Associates). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investments is increased or reduced to reflect changes in the equity of the associates attributable to the investments of Deutsche Post AG. Goodwill contained in the carrying amounts of the investments is reduced by straight-line amortization over the expected useful life of 20 years where the equity method is applied. The useful lives are determined and goodwill is regularly tested for impairment using the same procedures as for the goodwill of subsidiaries.

Other long-term investments include in particular investments in unconsolidated subsidiaries, financial instruments and other equity investments. In accordance with IAS 39, they are assigned to the available-for-sale category. They are carried at their fair value, where this can be measured reliably, and if this is not the case, they are carried at amortized cost.

Loans are classified as loans and receivables originated by the enterprise and are carried at amortized cost.

Changes in long-term investments in fiscal year 2001 are presented below, based on the opening balances in fiscal year 2000:

Long-term investments

in €m		Available for sale			Originated loans			
	Investments in associates	Investments in subsidiaries	Noncurrent financial instruments	Other equity investments	Loans to associates	Housing promotion loans	Other loans	Total
Historical cost								
Opening balance at Jan. 1, 2000	799	20	3	40	0	23	32	917
Changes in consolidated group	-306	-2	0	0	0	0	-8	-316
Additions	44	8	1	44	3	3	11	114
Reclassifications	0	0	0	0	0	0	0	0
Disposals	37	16	0	2	0	6	1	62
Exchange differences	0	0	0	0	0	0	0	0
Closing balance at Dec. 31, 2000	500	10	4	82	3	20	34	653
Changes in consolidated group	0	-7	0	0	0	0	5	-2
Additions	808	114	47	12	708	3	1	1,693
Reclassifications	0	0	6	-6	0	0	0	0
Disposals	115	0	4	34	0	4	5	162
Exchange differences	0	0	0	0	0	0	0	0
Closing balance at Dec. 31, 2001	**1,193**	**117**	**53**	**54**	**711**	**19**	**35**	**2,182**
Write-downs								
Opening balance at Jan. 1, 2000	28	0	0	0	0	0	0	28
Changes in consolidated group	0	0	0	0	0	0	0	0
Write-downs	13	0	0	0	0	0	0	13
Reclassifications	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Exchange differences	0	0	0	0	0	0	0	0
Closing balance at Dec. 31, 2000	41	0	0	0	0	0	0	41
Changes in consolidated group	0	0	0	0	0	0	0	0
Write-downs	44	0	6	0	0	0	0	50
Gains taken directly to equity	0	0	4	28	0	0	0	32
Losses taken directly to equity	0	0	1	0	0	0	0	1
Reclassifications	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Exchange differences	0	0	0	0	0	0	0	0
Closing balance at Dec. 31, 2001	**85**	**0**	**3**	**-28**	**0**	**0**	**0**	**60**
Carrying amount at Dec. 31, 2001	**1,108**	**117**	**50**	**82**	**711**	**19**	**35**	**2,122**
Carrying amount at Dec. 31, 2000	459	10	4	82	3	20	34	612

€797 million of additions to investments in associates relates to DHLI. DHLI was granted an interest-free loan that is covered by an option to convert it into ordinary shares or bear interest in arrears, in the amount of €708 million.

The following table presents the gains and losses taken directly to equity and recognized in income from changes in available-for-sale financial instruments measured at fair value:

Available for sale

in €m	2001
Notional amount	53
Unrealized gains	32
Unrealized losses	1
Recognized in income	6
Fair value = carrying amount	90

Compared with the market rates of interest prevailing at December 31, 2001 for comparable financial instruments, most of the housing promotion loans are low-interest or even interest-free loans. They are carried in the balance sheet at a present value of €19 million (previous year: €20 million). The principal amount of these loans totals €46 million (previous year: €51 million). For all other primary financial instruments, there were no significant differences between the carrying amounts and the fair values. There is no significant interest rate risk, because most of these instruments bear floating rates of interest at market rates. Investments in associates and other investees were subject to restraints on disposal in the amount of €37 million.

25. Inventories

Inventories are composed as follows:

Inventories

in €m	2001	2000
Finished goods and goods for resale	78	99
Raw materials and supplies	46	50
Work in progress	19	13
Advance payments	20	7
	163	**169**

Finished goods and goods for resale are carried at cost or at moving average prices, or are measured using the LIFO method. Inventories measured using the LIFO method produced a positive difference of €3 million (previous year: €4 million) compared with measurement using the weighted average method. There was no requirement to charge significant valuation allowances on these inventories.

Raw materials and supplies include in particular unissued postage stamps, heating fuel and spare parts for freight mail centers. They are carried in part at standard costs. All other raw materials and supplies are measured at moving or weighted average prices, or at the lower market prices at the consolidated balance sheet date.

26. Receivables and other assets

Receivables and other assets are carried at their principal amount, net of appropriate valuation allowances. Receivables and other assets are composed as follows:

Receivables and other assets		
in €m	2001	2000
Trade receivables	2,944	2,973
Prepaid expenses	647	775
Receivables from private postal agencies	319	219
Tax receivables	145	186
Receivables from Deutsche Telekom AG	122	118
Receivables from employees and executive body members	86	161
Receivables from sales of assets	67	88
Creditors with debit balances	65	111
Equalization claim pursuant to section 40 DMBilG	49	61
Receivables from subsidiaries	46	105
Recourse claims	22	28
Receivables from Bundesanstalt für Post und Telekommunikation	21	33
Advance payments	15	82
Associate receivables	12	13
Receivables from collection documents	0	411
Short-term loans and interest receivables	1	13
Foreign currency translation adjustment from activities of the Deutsche Postbank group	0	672
Other assets	273	648
	4,834	**6,697**

The collection documents relate primarily to equalization claims due, debt instruments and interest coupons.

The reduction in trade receivables and other assets is due to the reclassification of collection documents and the elimination of the foreign currency translation adjustment. This is because in accordance with IAS 39, hedges are recognized on the balance sheet under receivables and investment securities from financial services.

The remaining maturities of receivables and other assets are structured as follows:

Maturities		
in €m	2001	2000
Less than one year	4,736	6,570
One to five years	82	127
More than five years	16	0
	4,834	**6,697**

The fair values as of December 31, 2001 were additionally determined for long-term receivables measured at historical cost in accordance with IAS 39. This did not result in any significant differences between the carrying amounts and the fair values. There is no significant interest rate risk, because most of these instruments bear floating rates of interest at market rates.

27. Receivables and investment securities from financial services

Receivables and investment securities from financial services relate exclusively to the business operations of the Deutsche Postbank group.

The following table presents an overview of the measurement methods applied to originated receivables and investment securities in accordance with IAS 39:

Measurement methods	
	Measurement
Originated receivables (not held for trading)	Amortized cost
Purchased receivables (held to maturity)	Cost
Purchased receivables (held for trading)	Fair value
Purchased receivables (available for sale)	Fair value
Investment securities (held to maturity)	Amortized cost
Investment securities (held for trading)	Fair value
Investment securities (originated receivables)	Amortized cost
Investment securities (available for sale)	Fair value

Receivables and investment securities from financial services are composed as follows:

Receivables and investment securities from financial services		
in €m	2001	2000
Receivables from banks	37,402	38,015
Receivables from customers	44,066	38,978
Risk provision (carried under assets)	-621	-323
Trading assets/Hedging derivatives (positive fair values)	7,114	764
Long-term investments	47,943	51,143
	135,904	**128,577**

The maturity structure of receivables from financial services (gross of risk provision) is as follows:

Maturities

Maturities at December 31 in €m	Less than 1 year		1 to 5 years		More than 5 years		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Receivables from banks	17,325	15,686	10,967	12,700	9,110	9,629	37,402	38,015
Receivables from customers	6,238	5,625	16,808	13,949	21,020	19,404	44,066	38,978
Trading assets	2,824	466	3,221	223	1,069	75	7,114	764
Long-term investments	9,100	8,851	24,985	22,563	13,858	19,729	47,943	51,143
	35,487	**30,628**	**55,981**	**49,435**	**45,057**	**48,837**	**136,525**	**128,900**

The items are classified in greater detail in the following subsections.

27.1 Receivables from banks

Receivables from banks

in €m	2001	2000
Payable on demand	1,793	1,389
Other receivables	35,609	36,626
	37,402	**38,015**

Receivables from banks are broken down as follows in accordance with the measurement categories for financial instruments defined in IAS 39:

in €m	2001
Receivables from banks	27,904
thereof fair value hedges	2,782
Purchased receivables from banks (available for sale)	2,295
thereof fair value hedges	736
Money market receivables	7,203
	37,402

The measurement gain from unhedged purchased receivables from banks (available for sale) was taken directly to the revaluation reserve in the amount of €11 million. €0.5 million from the revaluation reserve was recognized in income in the period under review from the disposal of available-for-sale receivables from banks.

27.2 Receivables from customers

The following table presents the structure of receivables from customers:

Receivables from customers

in €m	2001	2000
Building finance	13,316	12,413
Municipal loans	18,522	20,351
Other	12,228	6,214
	44,066	**38,978**

Customer receivables of €10,520 million are secured by land charges. Receivables from customers are broken down as follows in accordance with IAS 39:

in €m	2001
Receivables from customers	**37,772**
thereof fair value hedges	9,210
Purchased receivables from customers (held to maturity)	**889**
Purchased receivables from customers (available for sale)	**5,405**
thereof fair value hedges	3,112
	44,066

The measurement gain from unhedged purchased receivables from customers (available for sale) was taken directly to the revaluation reserve in the amount of €21 million. €2 million from the revaluation reserve was recognized in income in the period under review from the disposal of available-for-sale receivables from customers.

27.3 Risk provision

The credit risk provision is recognized in accordance with IAS 39.109 and covers all identifiable credit and country risks. General valuation allowances were recognized on the basis of empirical amounts for potential credit risks.

Risk provision carried as an asset

in €m	2001	2000
Receivables from banks	-10	-10
Receivables from customers	-611	-313
	-621	**-323**

The risk provision changed as follows in fiscal year 2001 (see table below).

Uncollectible receivables of €8 million (previous year: €4 million) were written off directly in income. Amounts received on receivables written off and recognized in income amounted to €2 million (previous year: €9 million).

27.4 Trading assets/Hedging derivatives with positive fair values

Trading assets relate to trading in bonds and other fixed-income securities, shares and other non-fixed-income securities, foreign currencies and precious metals, as well as derivatives that do not satisfy the IAS 39 criteria for hedge accounting. All trading assets are carried at their fair values.

Trading assets/Hedging derivatives

in €m	2001	2000
Bonds and other fixed-income securities	4,475	707
Shares and other non-fixed-income securities	26	21
Positive fair value of derivatives	275	0
Positive fair value of economic hedging derivatives	630	36
	5,406	**764**

Of the bonds and other fixed-income securities, €3,721 million are listed on a stock exchange, and of the shares and other non-fixed-income securities €24 million are listed on a stock exchange.

Risk provision

Maturities at December 31 in €m	Specific risks 2001	Specific risks 2000	Country risks 2001	Country risks 2000	Potential risks 2001	Potential risks 2000	Total 2001	Total 2000
Opening balance at Jan. 1	244	188	7	0	72	62	323	250
Additions								
Changes in consolidated group	221	0	0	0	0	0	221	0
Appropriation	147	234	8	15	1	14	156	263
Disposals								
Utilized	15	119	3	7	1	0	19	126
Reversed	36	59	3	1	21	4	60	64
Closing balance at Dec. 31	**561**	**244**	**9**	**7**	**51**	**72**	**621**	**323**

Hedges with a positive fair value that satisfy the criteria for hedge accounting in accordance with IAS 39 are composed as follows:

Hedging derivates

in €m	Fair value hedges 2001
Assets	
Hedging derivatives on receivables from banks	
Originated receivables	7
	7
Hedging derivatives on receivables from customers	
Originated receivables	39
	39
Hedging derivatives on long-term investments	
Bonds and other fixed-income securities	89
	89
	135
Liabilities	
Due to banks	30
Securitized liabilities	1,543
	1,573
	1,708

27.5 Long-term investments

Long-term investments consist of bonds and other fixed-income securities, shares and other non-fixed-income securities.

Long-term investments

in €m	2001	2000
Bonds and other fixed-income securities	46,544	50,009
Shares and other non-fixed-income securities	1,399	1,134
thereof shares	1,206	999
thereof shares in mutual funds	193	135
	47,943	**51,143**

Long-term investments are classified as follows:

in €m	2001
Bonds and other fixed-income securities	
Purchased directly from issuer	10,731
thereof fair value hedges	1,250
Held to maturity	3,278
Available for sale	32,535
thereof fair value hedges	19,260
	46,544
Shares and other non-fixed-income securities	1,206
thereof fair value hedges	140
Mutual fund shares	193
	1,399
	47,943

€36,251 million of the long-term investments are listed on a stock exchange.

Remeasurement gains and losses for unhedged available-for-sale financial instruments were taken directly as additions to the revaluation reserve in the amount of €255 million. Remeasurement gains and losses amounting to €8 million were withdrawn from equity and recognized in the income statement due to the disposal of long-term investments. There were no impairments as defined by IAS 39.109.

28. Current financial instruments

Current financial instruments are classified as available for sale. They include all financial instruments of the Group that are not classified as noncurrent financial instruments or as investment securities from financial services. These financial instruments are carried at their fair values in accordance with IAS 39.

As these instruments were marked-to-market in previous periods, the first-time application of IAS 39 did not result in any measurement changes.

€31 million of the financial instruments are held by the Guipuzcoana group, and €8 million by the Danzas group.

29. Deferred tax assets

Deferred tax assets are accounted for in accordance with IAS 12 (Income Taxes). They result primarily from tax loss carryforwards at Deutsche Post AG and Deutsche Postbank AG. In compliance with IAS 12.24 (b), deferred tax assets can only be recognized for temporary differences between the carrying amounts in the financial accounts and in the tax accounts of Deutsche Post AG and Deutsche Postbank AG where the differences have arisen after January 1, 1996. No deferred tax assets may be recognized for initial differences in carrying amounts in the opening tax accounts of Deutsche Post AG and Deutsche Postbank AG as of January 1, 1996.

Deferred tax assets are composed as follows:

Deferred tax assets

in €m	2001	2000
Deferred tax assets on tax loss carryforwards		
Deutsche Post AG	320	761
Deutsche Postbank group	502	616
Danzas group	51	39
Other Group companies	85	82
	958	**1,498**
Deferred tax assets on temporary differences		
Deutsche Post AG	148	127
Deutsche Postbank group	322	145
Danzas group	52	42
Other Group companies	11	6
	533	**320**
	1,491	**1,818**

The increase in deferred tax assets recognized on temporary differences at the Deutsche Postbank group results from the application of IAS 39, and in particular the first-time recognition of derivatives and of the fair values of financial instruments held for trading and available-for-sale financial instruments.

Deferred tax assets on tax loss carryforwards are broken down as follows:

Deferred tax assets on tax loss carryforwards

in €m	2001	2000
Deferred taxes on German tax loss carryforwards		
Corporation tax	515	850
Trade tax and solidarity surcharge	352	596
Deferred taxes on foreign tax loss carryforwards	91	52
	958	**1,498**

Of the total tax loss carryforwards, around €3.1 billion (previous year: €2.6 billion) was not used to recognize deferred tax assets.

The following deferred tax assets on temporary differences result from differences in the carrying amounts of individual balance sheet items:

Deferred tax assets on temporary differences

in €m	2001	2000
Intangible assets	13	19
Property, plant and equipment	6	19
Long-term investments	10	5
Current assets		
Financial services	287	6
Other current assets	0	3
Pension provisions	115	90
Other provisions	80	147
Financial liabilities	0	3
Other liabilities	22	28
	533	**320**

The maturity structure of deferred tax assets on temporary differences is as follows:

Maturities

in €m	2001	2000
Less than one year	43	137
One to five years	414	67
More than five years	76	116
	533	320

30. Issued capital

The issued capital amounts to €1,112,800,000 and is composed of 1,112,800,000 no-par value registered shares with a current notional value of €1 each.

The shareholding structure is as follows:

Issued capital

Number of shares	Dec. 31, 2001	Dec. 31, 2000
Federal Republic of Germany	556,400,026	556,400,026
Kreditanstalt für Wiederaufbau	209,078,797	236,469,974
Free float	347,321,177	319,930,000
	1,112,800,000	1,112,800,000

A total of around 31% of the shares are traded on the capital markets.

30.1 Authorized capital I

The Board of Management is authorized to increase the share capital up to January 30, 2003 by up to €11.25 million with the consent of the Supervisory Board. The capital increase can be used only to service stock options granted to employees of the company or of its affiliated German companies within the meaning of section 15 of the AktG (German Stock Corporation Act).

30.2 Authorized capital II

The Board of Management is further authorized to increase the share capital up to September 30, 2005 by up to €80 million with the consent of the Supervisory Board by issuing new shares against non-cash contributions.

30.3 Contingent capital

The share capital may be increased up to July 31, 2005 by creating contingent capital in the amount of €50 million to launch an executive stock option plan. Shareholders' subscription rights are excluded.

Shares may be purchased at a defined subscription price on expiry of a three-year lock-up period. A condition for this is that two performance targets are reached. The absolute performance target depends on the performance of the shares over the lock-up period, while the relative target depends on the performance of the shares versus the Dow Jones Euro STOXX Total Return Index. On March 15, 2001 Deutsche Post AG for the first time granted 5,537,484 stock options and 345,432 Stock Appreciation Rights. The strike price was set at €23.05. The date of first-time exercise of this tranche is March 15, 2004. As the options had no intrinsic value at either the grant date or the balance sheet date, they are not recorded as expenses.

31. Reserves

The Group's reserves are composed as follows:

Reserves

in €m	2001	2000
Capital reserves	338	296
Revaluation reserve in accordance with IAS 39	-93	0
Hedging reserve in accordance with IAS 39	-1	0
Retained earnings	2,413	1,080
	2,657	1,376

31.1 Capital reserves

Changes in the capital reserves in fiscal year 2001 are presented below, based on the amounts at January 1, 2000:

Capital reserves

in €m	
Capital reserves at Jan. 1, 2000	376
Treasury shares	-42
Withdrawal to increase issued capital	-19
Elimination of cost of employee equity compensation program	-19
Capital reserves at Dec. 31, 2000	296
Sale of treasury shares	42
Capital reserves at Dec. 31, 2001	**338**

The treasury shares amounting to €42 million deducted from the capital reserves in fiscal year 2000 in accordance with SIC 16 were sold in full in the middle of 2001.

31.2 Revaluation reserve in accordance with IAS 39

The revaluation reserve contains gains and losses from changes in the fair values of available-for-sale financial instruments that have been taken directly to equity.

Revaluation reserve

in €m	2001
Initial adjustment IAS 39	238
Gains/losses credited/charged to revaluation reserve	-347
Gains/losses recognized in income	16
	-93

€92 million of the revaluation reserve relates to gains or losses on the fair value measurement of financial instruments of the Deutsche Postbank group.

31.3 Hedging reserve in accordance with IAS 39

Net gains or losses from changes in the fair value of the effective portion of a cash flow hedge are taken directly to the hedging reserve. The hedging reserve is released to income if the hedged item is settled or the hedge is terminated.

Hedging reserve

in €m	2001
Initial adjustment IAS 39	0
Losses charged to hedging reserve	-1
	-1

31.4 Retained earnings

Retained earnings contain the undistributed consolidated profits generated in prior periods. Retained earnings are composed of the following items:

Retained earnings

in €m	2001	2000
Undistributed profit of prior-year periods	2,292	915
Initial consolidation of Special Purpose Funds of Deutsche Postbank AG	0	181
Exchange differences	-3	26
First-time application of IAS 39	134	0
Other	-10	-42
	2,413	**1,080**

The retained earnings contain the adjustments from the first-time application of IAS 39. This only includes fair value changes of transactions whose fair value would have been recognized in the income statement. Fair value changes in transactions that would have been taken directly to the revaluation reserve have already been taken directly to the revaluation reserve in accordance with IAS 39.

Changes in the reserves during the year under review are also presented in the statement of changes in equity.

32. Consolidated net profit

The consolidated net profit for fiscal year 2001 amounts to €1,583 million (previous year: €1,512 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profits of €1,965 million reported in the annual financial statements of Deutsche Post AG prepared in accordance with the German Commercial Code.

The Board of Management is proposing to utilize the unappropriated surplus of Deutsche Post AG to distribute a dividend of €0.37 per no-par value share. The amount of €1,553 million remaining after deduction of the total dividend of €412 million will be transferred to retained earnings.

The dividend will be paid from the tax capital contribution account. The distribution will not result in a tax credit and is not classified in Germany as income from capital assets.

33. Minority interest

Minority interests include adjustments for the interests of non-Group shareholders in the consolidated equity from capital consolidation, and their interests in profit and loss.

The interests relate primarily to the following companies:

Minority interest

in €m	2001	2000
Deutsche Postbank group	59	64
Danzas group	10	4
Merkur Direktwerbegesellschaft mbH	0	5
Other companies	6	6
	75	**79**

The minority interest in Merkur Direktwerbegesellschaft mbH & Co. KG declined as a result of the purchase of additional interests. Deutsche Postbank AG also purchased additional interests in DSL Holding AG i.A.

34. Provisions for pensions and other employee benefits

Provisions for pensions and other employee benefits changed as follows in fiscal year 2001, based on the opening balances of fiscal year 2000:

Provisions for pensions and other employee benefits

in €m	Pension provisions	Provisions for other employee benefits	Total
Opening balance at Jan. 1, 2000*	6,534*	60*	6,594
Changes in consolidated group	59	0	59
Utilization	349	8	357
Reversal	0	1	1
Exchange differences	-4	-1	-5
Appropriation	429	1	430
Closing balance at Dec. 31, 2000*	6,669*	51*	6,720
Changes in consolidated group	6	1	7
Utilization	513	7	520
Exchange differences	-2	1	-1
Appropriation	421	0	421
Closing balance at Dec. 31, 2001	**6,581**	**46**	**6,627**

* The pension-related obligations of the Danzas group are carried under pension provisions in fiscal year 2000. They are now classified as provisions for other employee benefits. Prior-year amounts have been restated.

The maturity structure of pensions and other employee benefits is presented below:

Maturities

in €m	Pension provisions		Provisions for other employee benefits		Total	
	2001	2000	2001	2000	2001	2000
Less than one year	602	445	12	9	614	454
One to five years	1,659	1,509	17	22	1,676	1,531
More than five years	4,320	4,715	17	20	4,337	4,735
	6,581	**6,669**	**46**	**51**	**6,627**	**6,720**

The provisions for pensions and other employee benefits relate principally to the following companies:

in €m	2001	2000
Deutsche Post AG	5,957	6,079
Deutsche Postbank group	552	528
Danzas group	98	101
Other Group companies	20	12
	6,627	**6,720**

The majority of the employees of Deutsche Post AG and Deutsche Postbank AG are covered by retirement benefit plans. Occupational pension plans are partly defined contribution and partly defined benefit plans.

In addition to the state pension system operated by the statutory pension insurance funds, to which contributions for wage earners and salaried employees are remitted in the form of non-wage costs, Deutsche Post AG and Deutsche Postbank AG pay contributions to defined contribution plans in accordance with statutory provisions to finance in particular the pension entitlements of staff with civil service status and of retired former civil servants. Since fiscal year 2000, the annual contributions have amounted to 33% of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. Current contribution payments are recorded as expenses in the profit from operations of the year in question. There are no further benefit obligations for the company over and above payment of the contributions.

All other retirement provision plans of Deutsche Post AG and Deutsche Postbank AG are defined benefit plans, and are generally funded by provisions. There are various commitments to individual groups of employees. The commitments depend on length of service, and usually final salary as well. The provisions for defined benefit plans are measured using the projected unit credit method in accordance with IAS 19 (Employee Benefits), under which the future obligations are determined using actuarial principles and actuarial assumptions. The expected benefits are spread relatively evenly over the entire length of service of the employees, taking into account changes in key parameters.

The actuarial computation of the benefit obligations and pension expense of Deutsche Post AG and Deutsche Postbank AG was based on the following assumptions:

Assumptions for actuarial computation

in %	2001	2000
Discount rate	5.5 to 5.75	6.0
Expected wage and salary growth (depending on employee group)	2.0 to 3.0	2.0 to 3.0
Expected pension growth (depending on employee group)	1.75 to 2.5	1.75 to 2.5
Average expected fluctuation	1.0	1.0
Expected return on plan assets	3.1 to 4.25	3.1 to 4.25

At the German Group companies, longevity is calculated on the 1998 mortality tables published by Dr. Klaus Heubeck.

The following table presents changes in the recognized pension provisions, based on the present value of the obligations:

Changes in recognized pension provisions

in €m	2001	2000
Present value of obligations at Dec. 31	8,328	7,591
Share of funded obligations	3,217	2,967
Share of unfunded obligations	5,111	4,624
Fair value of plan assets	1,579	1,429
Unrecognized actuarial gains/losses	168	-510
Unrecognized past service cost	0	3
Carrying amount at Dec. 31	**6,581**	**6,669**

The following pension expenses were incurred in fiscal year 2001 compared with the prior-year period:

Pension expenses

in €m	2001	2000
Current service cost	136	127
Interest cost	418	449
Expected return on plan assets	72	49
Amortized actuarial gains/losses	28	117
Amortized past service cost	1	3
Effects of plan curtailments and settlements	0	16
Other	12	0
Expected employee contributions	6	0
Pension expense	**461**	**429**

The accrued interest expense on entitlements acquired in previous periods is carried under staff costs together with the other expenses from the retirement benefit obligation.

The following table presents the change in the net liabilities recognized for the year under review and the previous year:

Recognized net liabilities

in €m	2001	2000
Carrying amount at Jan. 1	6,669	6,534
Changes in consolidated group	6	59
Pension expense	461	429
Pension payments	339	207
Contributions to funds	224	142
Transfers of assets	0	0
Effects of plan curtailments and settlements	10	0
Exchange differences	2	4
Carrying amount at Dec. 31	**6,581**	**6,669**

In accordance with IAS 19.92, actuarial gains and losses are recognized 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. The excess amount is spread over the remaining working lives of the active employees and recognized in income.

The actual return on plan assets is presented below:

Return on plan assets

in €m	2001	2000
Expected return on plan assets	72	70
Gain/loss on plan assets	-26	40
Actual return on plan assets	**46**	**110**

35. Tax provisions

Tax provisions contain provisions for current and deferred income tax obligations and for other taxes. Provided that they are due in the same tax jurisdiction and relate to the same type of tax and maturity, current income tax obligations are eliminated against corresponding recoverable taxes.

Tax provisions changed as follows in fiscal year 2001, based on changes in fiscal year 2000:

Tax provisions

in €m	Provisions for current taxes	Deferred tax liabilities	Total
Opening balance at Jan. 1, 2000	834	511	1,345
Changes in consolidated group	-15	433	418
Utilization	237	27	264
Reversal	86	365	451
Reclassification	5	-5	0
Exchange differences	-2	-1	-3
Appropriation	160	147	307
Closing balance at Dec. 31, 2000	659	693	1,352
Changes in consolidated group	2	-41	-39
Utilization	175	32	207
Reversal	359	46	405
Reclassification	0	0	0
Exchange differences	0	1	1
Appropriation	284	325	609
Closing balance at Dec. 31, 2001	**411**	**900**	**1,311**

The maturity structure of tax provisions is as follows:

Maturities

in €m	Provisions for current taxes		Deferred tax liabilities		Total	
	2001	2000	2001	2000	2001	2000
Less than one year	411	659	631	39	1,042	698
One to five years	0	0	227	530	227	530
More than five years	0	0	42	124	42	124
	411	**659**	**900**	**693**	**1.311**	**1,352**

The provisions are primarily attributable to the following companies:

in €m	Provisions for current taxes		Deferred tax liabilities	
	2001	2000	2001	2000
Deutsche Postbank group	45	368	691	426
Deutsche Post AG	332	260	185	214
Danzas group	26	21	18	50
Other Group companies	8	10	6	3
	411	**659**	**900**	**693**

The increase in deferred tax assets at the Deutsche Postbank group results from the application of IAS 39, and in particular the first-time recognition of derivatives and of the fair values of financial instruments held for trading and available-for-sale financial instruments.

The following deferred tax liabilities on temporary differences result from differences in the carrying amounts of individual balance sheet items:

Deferred tax liabilities on temporary differences

in €m	2001	2000
Intangible assets	68	56
Property, plant and equipment	101	136
Long-term investments	43	342
Current assets		
Financial services	592	31
Other current assets	1	0
Pension provisions	0	0
Other provisions	82	107
Financial liabilities	0	0
Other liabilities	13	21
	900	**693**

In accordance with IAS 12.15 (b), deferred tax liabilities were only recognized on temporary differences between the carrying amounts in the IAS financial statements and in the tax accounts of Deutsche Post AG and Deutsche Postbank AG where the differences arose after January 1, 1996. No deferred tax liabilities can be recognized on temporary differences resulting from differing carrying amounts (initial differences) in the opening tax accounts as of January 1, 1996.

36. Other provisions

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), other provisions relate to legal or constructive obligations to non-Group third parties that arise from past events, that are expected to result in an outflow of resources embodying economic benefits, and that can be measured reliably. A distinction is made between provisions, accruals and contingent liabilities.

Accruals are liabilities arising from past obligating events. The uncertainty of the amount or timing of accruals is generally much less than for provisions. In accordance with IAS 37, they are not reported under provisions, but under liabilities.

Contingent liabilities are firstly 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. Secondly, contingent liabilities include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the obligation cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognized as liabilities.

Other provisions changed as follows in fiscal year 2001, based on the opening balances of fiscal year 2000:

Of the miscellaneous provisions, €67 million relates to provisions for staff costs, in particular for jubilee payments and redundancy scheme obligations (previous year: €26 million). €26 million (previous year: €19 million) was provided in the year under review for risks from operating activities. There are also provisions for risks from the transfer of assets of Deutsche Post in the amount of €25 million (previous year: €24 million) and insurance risk reserves for FINANCIAL SERVICES amounting to €19 million (previous year: €9 million).

The maturity structure of the other provisions is presented below:

Changes in other provisions

in €m	Postal Civil Service Health Insurance Fund	Postage stamps	Restructuring provisions	Litigation costs	Assistance benefits for civil servants	Miscellaneous provisions	Total
Opening balance at Jan. 1, 2000	1,167	593	850	68	44	348	3,070
Changes in consolidated group	0	0	1	3	0	26	30
Utilization	25	0	339	9	44	181	598
Exchange difference	0	0	-1	-1	0	-3	-5
Reversal	0	0	9	4	0	77	90
Reclassification	0	0	12	0	0	-12	0
Appropriation	145	13	213	4	42	211	628
Closing balance at Dec. 31, 2000	1,287	606	727	61	42	312	3,035
Changes in consolidated group	0	0	0	0	0	19	19
Utilization	20	606	248	26	42	111	1,053
Exchange difference	0	0	0	0	0	0	0
Reversal	0	0	19	3	0	51	73
Reclassification	0	0	0	0	0	0	0
Appropriation	67	579	180	14	33	232	1,105
Closing balance at Dec. 31, 2001	**1,334**	**579**	**640**	**46**	**33**	**401**	**3,033**

Maturities

in €m	Postal Civil Service Health Insurance Fund		Postage stamps		Restructuring provisions		Litigation costs		Assistance benefits for civil servants		Miscellaneous provisions*		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Less than one year	55	47	579	606	167	196	27	26	33	42	150	99	1,011	1,012
One to five years	219	193	0	0	334	531	9	35	0	0	82	117	644	880
More than five years	1,060	1,047	0	0	139	0	10	0	0	0	169	96	1,378	1,143
	1,334	**1,287**	**579**	**606**	**640**	**727**	**46**	**61**	**33**	**42**	**401**	**312**	**3,033**	**3,035**

* Assistance benefits for civil servants are now disclosed separately, and the prior-period figures have been adjusted accordingly.

The provision for the funding of future shortfalls in the Postal Civil Service Health Insurance Fund, which closed on January 1, 1995, comprises the statutory obligation of Deutsche Post AG and of Deutsche Postbank AG (first-time consolidation 1999), together with another successor of Deutsche Bundespost. The equalization payments to the Postal Civil Service Health Insurance Fund are designated as "Other long-term employee benefits", which were calculated on the basis of an actuarial report in accordance with IAS 19 (Employee Benefits).

The provision for postage stamps covers outstanding obligations to customers for mail and parcel deliveries from postage stamps sold but still unused by customers.

Restructuring provisions relate almost exclusively to obligations to employees on termination of employment (partial retirement programs, transitional benefits). In accordance with IAS 19, they are classed as termination benefits and calculated using actuarial principles.

Restructuring provisions are classified as follows:

Restructuring provisions

in €m	2001	2000
Deutsche Post AG		
MAIL	225	294
Retail outlets	90	109
EXPRESS	38	50
	353	**453**
Deutsche Postbank AG	209	145
Danzas group	63	112
Van Gend & Loos	7	11
Other Group companies	8	6
	287	**274**
	640	**727**

The restructuring provisions contain €20 million (previous year: €46 million) relating to amounts taken directly to equity in the opening balance sheets of the companies in accordance with IAS 22 (revised 1998).

The other provisions represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation in accordance with IAS 37. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk and the time until performance of the obligation. The accrued interest expense on staff-related provisions is carried under staff costs, other accrued interest expense under net financing costs.

The accrued interest expense is composed as follows:

Accrued interest expense

in €m	2001	2000
Accrued interest expense from Postal Civil Service Health Insurance Fund	77	62
Accrued interest expense from restructuring provisions	36	20
Accrued interest expense from miscellaneous provisions	2	31
	115	**113**

37. Financial liabilities

Financial liabilities represent all interest-bearing obligations of Deutsche Post World Net not classified as liabilities from financial services. In the balance sheet they are carried at the amount repayable. They are broken down as follows:

Financial liabilities

Maturities in €m	Less than 1 year 2001	2000	1 to 5 years 2001	2000	More than 5 years 2001	2000	Total 2001	2000
Bonds	0	0	0	9	0	0	0	9
Due to banks	629	245	516	427	138	408	1,283	1,080
Interest-bearing liabilities to subsidiaries	0	1	0	0	0	0	0	1
Interest-bearing liabilities to associates	1	1	0	0	0	0	1	1
Finance lease liabilities	37	26	27	32	25	25	89	83
Other financial liabilities	800	995	132	233	3	11	935	1,239
	1,467	**1,268**	**675**	**701**	**166**	**444**	**2,308**	**2,413**

At €1,025 million, financial liabilities relate primarily to Deutsche Post AG (previous year: €1,246 million), and €728 million relates to Deutsche Post International B.V. (previous year: €745 million).

Other financial liabilities relate to liabilities to Deutsche Post Renten-Service e.V. (€638 million) and liabilities to Deutsche Telekom AG (€230 million).

€16 million of the reported financial liabilities relates to amounts due to banks secured by land charges. No other financial liabilities are secured by mortgages or other land charges (also as of December 31, 2000).

The following table presents the maturities and terms of significant long-term financial liabilities (more than one year to maturity):

Obligations

	Amount in €m	Interest rate in %	Maturity
Liabilities to banks			
Bank loan	153	3.465	6/2011
Bank loan	104	5.315	3/2006
Bank loan	102	5.935	2/2011
Bank loan	102	3.975	4/2006
Bank loan	63	5.945	12/2005
Bank loan	55	3.375	7/2003
Bank loan	8	5.430	9/2002
Bank loan	7	5.450	5/2003
Finance lease obligations			
Finance lease	18	3.65 – 5.34	1/2013 and 9/2019
Finance lease	15	5.68 – 6.06	12/2009 and 12/2031
Finance lease	10	5.810	12/2004
Other financial liabilities			
Financial liabilities	131	7.180	10/2003

The table below compares the fair values and carrying amounts of the financial liabilities of Deutsche Post World Net:

Carrying amounts/Fair values

in €m	2001 Carrying amount	2001 Fair value	2001 Difference	2000 Carrying amount	2000 Fair value	2000 Difference
Bonds	0	0	0	9	9	0
Due to banks	1,283	1,299	16	1,080	1,107	27
Interest-bearing liabilities to subsidiaries	0	0	0	1	1	0
Interest-bearing liabilities to associates	1	1	0	1	1	0
Finance lease liabilities	89	89	0	83	83	0
Other financial liabilities	935	949	14	1,239	1,231	-8
	2,308	**2,338**	**30**	**2,413**	**2,432**	**19**

Differences between fair values and carrying amounts result from changes in market interest rates for financial liabilities of equivalent maturities and risk structures.

Short maturities or marking-to-market mean that there are no significant differences between the carrying amounts and fair value of all other primary financial instruments. There is no significant interest rate risk because the instruments bear interest at floating market rates of interest. The differences between the fair values and carrying amounts of the financial liabilities are therefore relatively minor.

38. Trade payables

Trade payables also include liabilities on outstanding supplier invoices.

€1,091 million of the trade payables is attributable to the Danzas group, €927 million to Deutsche Post AG and €127 million to Deutsche Postbank group.

The maturity structure of trade payables is as follows:

Maturities

in €m	2001	2000
Less than one year	2,399	2,599
One to five years	1	1
More than five years	4	0
	2,404	**2,600**

39. Liabilities from financial services

Liabilities from financial services are composed as follows:

Liabilities from financial services

in €m	2001	2000
Due to banks	26,819	14,851
Due to customers	62,272	63,924
Securitized liabilities	39,468	46,595
Trading liabilities/Hedging derivatives with negative fair values	2,973	0
	131,532	**125,370**

Liabilities from financial services are carried at their redemption amounts. Differences between the amount disbursed and the amount repayable (premium, discount) are recognized or written down over the remaining maturities of the liabilities. Proportionate accrued interest is reported together with the associated liability.

The maturity structure of the liabilities from financial services is as follows:

Maturities of liabilities from financial services

Remaining maturity in €m	Less than 1 year 2001	Less than 1 year 2000	1 to 5 years 2001	1 to 5 years 2000	More than 5 years 2001	More than 5 years 2000	Total 2001	Total 2000
Due to banks	15,489	9,673	5,498	1,646	5,822	3,532	26,819	14,851
Due to customers	52,945	49,163	5,627	8,247	3,700	6,514	62,272	63,924
Securitized liabilities	7,731	9,051	23,501	25,946	8,236	11,598	39,468	46,595
Trading liabilities/Hedging derivatives with negative fair values	468	0	1,285	0	1,220	0	2,973	0
	76,633	**67,887**	**35,911**	**35,839**	**18,988**	**21,644**	**131,532**	**125,370**

39.1 Due to banks

Due to banks

in €m	2001	2000
Payable on demand	562	391
With an agreed maturity or withdrawal notice	26,257	14,460
	26,819	**14,851**

€1,489 million of the amount due to banks is covered by fair value hedges.

39.2 Due to customers

Amounts due to customers are composed of savings deposits, amounts payable on demand and term deposits, including savings certificates.

Due to customers

in €m	2001	2000
Savings deposits		
with an agreed withdrawal notice of three months	23,579	23,453
with an agreed withdrawal notice of more than three months	712	995
	24,291	**24,448**
Other liabilities		
payable on demand	18,336	15,895
with an agreed maturity or withdrawal notice	19,645	23,581
	37,981	**39,476**
	62,272	**63,924**

€623 million of the amount due to customers is covered by fair value hedges.

39.3 Securitized liabilities

Securitized liabilities

in €m	2001	2000
Mortgage bonds	1,451	1,824
Public sector Pfandbriefe	8,207	10,252
Other debt instruments	29,810	34,519
	39,468	**46,595**

€22,943 million of the securitized liabilities is covered by fair value hedges.

39.4 Trading liabilities/Hedging derivatives with negative fair values

The negative fair value of derivative financial instruments held for trading is carried under trading liabilities.

Trading liabilities

in €m	2001	2000
Negative fair values of trading derivatives	297	0
Negative fair values of economic hedging derivatives	263	0
	560	**0**

Fair value hedges with negative fair values that satisfy the requirements of IAS 39 for hedge accounting are composed as follows:

Hedging derivatives

in €m	2001
Assets	
Hedging derivatives on receivables from banks	
Originated receivables	142
Purchased receivables (available for sale)	24
	166
Hedging derivatives on receivables from customers	
Originated receivables	626
Purchased receivables (available for sale)	109
	735
Hedging derivatives on long-term investments	
Bonds and other fixed-income securities	1,340
	1,340
	2,241
Liabilities	
Amounts due to banks	6
Amounts due to customers	7
Securitized liabilities	152
Subordinated liabilities	7
	172
	2,413

40. Other liabilities

Other liabilities are classified as follows:

Other liabilities

in €m	2001	2000
Payable to subsidiaries	103	4
Associate payables	4	2
Joint venture payables	4	2
Deferred income	787	2,076
Miscellaneous other liabilities	3,160	2,626
	4,058	**4,710**

The reduction in deferred income is due to the application of IAS 39. Interest, premiums and discounts are no longer carried as deferred income (as in the previous year), but are reported together with the corresponding balance sheet items. Deferred income contains investment grants of €168 million.

Miscellaneous other liabilities relate primarily to the following items:

Miscellaneous other liabilities

in €m	2001	2000
Hybrid capital of Deutsche Postbank group	1,174	657
Tax liabilities	315	370
Compensated absences	258	286
Liabilities from the sale of residential building loans	254	229
Payable to employees and members of executive bodies	122	56
COD liabilities	113	84
Overtime claims	92	92
Social security liabilities	85	27
Wages, salaries, severance	83	95
Incentive bonuses	67	69
Other compensated absences	49	52
Payable to Bundes-Pensions-Service für Post und Telekommunikation e.V.	45	0
Advance payments received	25	27
Debtors with credit balances	20	18
Derivatives	14	40
Liabilities from compensation payments	8	5
Agency agreement settlement	0	16
Other miscellaneous liabilities	436	503
	3,160	**2,626**

Other liabilities are carried at their notional amounts.

The hybrid capital consists of subordinated liabilities, profit sharing rights outstanding and assets contributed by typical silent partners and is in accordance with section 10 (4, 5 and 5a) of the KWG (German Banking Act). It increased by €517 million and results from the raising of subordinated liabilities. €329 million of the subordinated liabilities is covered by fair value hedges.

The maturity structure is as follows:

Maturities

in €m	2001	2000
Less than one year	3,707	4,710
One to five years	207	0
More than five years	144	0
	4,058	**4,710**

41. Notes to the cash flow statement

The consolidated cash flow statement is prepared in accordance with IAS 7 (Cash Flow Statements) 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, checks 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.

• Net cash from operating activities

Cash flows from operating activities are calculated by adjusting net profit before taxes for non-cash items. The result is Cash flow I, from which net cash from operations (Cash flow II) is calculated by adjustments for changes in working capital.

Cash flow II is then adjusted for interest and taxes paid to produce net cash from operating activities (Cash flow III).

Cash flow I improved by 6.2% year-on-year to €3,695 million. The reason behind this increase was a higher net profit before taxes, with was €115 million (5.6%) higher than the 2000 prior-year period, at €2,153 million.

Changes in working capital were affected above all by cash inflows from receivables and other current assets and by the receivables/liabilities from financial services, both of which pushed up Cash flow II by €611 million year-on-year to €3,133 million. The principal reason for the sharp year-on-year differences in receivables (up €2,102 million) and liabilities (down €1,762 million) was the first-time application of IAS 39. Driven by lower interest and tax payments, net cash from operating activities (Cash flow III) improved by €859 million to €2,904 million.

• Net cash used in investing activities

Cash flows from investing activities result from cash inflows from disposals of noncurrent assets and cash outflows for investments in noncurrent assets. Net cash used in investing activities amounted to €2,419 million in the year under review (previous year: €2,268 million).

Disposals of items of noncurrent assets generated income for the Group of €1,049 million (previous year: €845 million). Divestitures generated €2 million from the sale of Deutsche Post Wert Logistik GmbH.

€3,468 million (previous year: €3,113 million) was spent on investments in noncurrent assets. €1,240 million of this amount (previous year: €1,260 million) was attributable to the acquisition of companies, in particular the acquisition of additional interests in DHLI amounting to €797 million; these are accounted for in the consolidated financial statements as investments in associates.

Other significant financial investments were the acquisition of the Postbank (USA) companies (€278 million) and a €99 million cash contribution to the formation of Deutsche Post Euro Express Deutschland GmbH & Co. OHG, which is not consolidated. The acquisitions were financed from cash flow.

Cash outflows for other items of noncurrent assets relate in particular to a loan of €708 million by Deutsche Post AG to DHLI. The largest items in investments in property, plant and equipment, and intangible assets, were "Other equipment, operating and office equipment" and "Concessions and industrial rights".

The following assets and liabilities were acquired or sold on the acquisition or divestiture of companies:

Acquisitions and divestitures

in €m	2001	2000
Acquisitions		
Noncurrent assets	7	222
Receivables from financial services	3,712	85,778
Other current assets (excl. cash and cash equivalents)	76	1,118
Provisions	14	273
Liabilities from financial services	3,508	83,702
Other liabilities	15	2,447
Divestitures		
Noncurrent assets	0	27
Other current assets (excl. cash and cash equivalents)	6	23
Provisions	0	32
Other liabilities	6	16

Cash and cash equivalents amounting to €3 million (previous year: €67 million) were acquired with the acquisitions. There were no cash and cash equivalents in the assets disposed of.

• **Net cash used in financing activities**
Cash flows from financing activities result from new borrowings and the redemption of financial liabilities, and from distributions. Net cash used in financing activities amounted to €425 million in the year under review (previous year: net cash from financing activities of €252 million).

The reason for the difference as against the prior-year period was primarily higher redemptions (€460 million compared with €309 million in 2000). Payments by Deutsche Post AG to Bundes-Pensions-Service für Post und Telekommunikation e.V. were a major item. The lower level of borrowings (year under review: €335 million, previous year: €649 million) and the increase in the dividend by €54 million to €300 million also contributed to the year-on-year difference in cash flows from financing activities.

The cash inflows and outflows described above produced cash and cash equivalents of €1,966 million at year-end. They therefore grew by €60 million over the prior-period comparable figure, and the Group's self-financing strength was also bolstered.

Other disclosures

42. Financial instruments
Financial instruments are contractual obligations to receive or deliver cash and cash equivalents. In accordance with IAS 39, these include both primary and derivative financial instruments. Primary financial instruments include in particular bank balances, all receivables, liabilities, securities, loans and accrued interest. Examples of derivatives include options, swaps and futures.

Deutsche Postbank group accounts for most of the financial instruments in Deutsche Post World Net. The risks and fair values of Deutsche Postbank group's financial instruments are therefore presented separately below.

42.1 Risks and fair values of the financial instruments of the Deutsche Postbank group

42.1.1 Risk management
Counterparty (default), price, interest rate, liquidity and operational risks are a component of the banking business. Deutsche Postbank AG's risk management performs its independent functions at Deutsche Postbank's head office for the entire Deutsche Postbank group. Its activities focus on internal information processing to enable the responsible division in the Deutsche Postbank group to manage price and liquidity risks. The Deutsche Postbank group distinguishes between the following types of risk:

• **Counterparty (default) risk**
Counterparty (default) risk consists of the following types of risk:

– **Credit risk**

The Bank defines credit risk as possible losses arising from the failure or unwillingness of customers to discharge their payment obligations (default risk), or from a deterioration in creditworthiness. The default risk results from the potential partial or complete default by a borrower or a counterparty on contractually assured payments. By contrast, the creditworthiness (credit standing) risk results from the potential loss in the value of receivables in the event of deterioration in the Bank's borrowers' or counterparties' financial position.

– **Country risk**

The country risk describes the transfer risk inherent in cross-border payments that arises from the willingness to pay (political risk) and ability to pay (economic risk) of a country due to its national sovereignty. Where funds are loaned abroad, the relevant country risk must be reflected in addition to the specific or credit risk in that country.

– **Settlement risk**

Settlement risk is the risk arising to the Bank from default in the settlement of obligations or untimely performance at Deutsche Postbank AG either directly or indirectly as an agent for customers or third parties.

• **Price risk**

Price risk arises primarily from open positions in interest rate, currency and equity products; these products are subject to both specific and general market fluctuations. In addition to general price risk, financial instruments may also be subject to issuer risks.

The measurement of Deutsche Postbank AG's price risk uses the value-at-risk method, with a holding period of ten trading days and a 99% confidence level assumed for the portfolios. The probability that a loss will not exceed the computed risk within ten days is 99%.

The following values at risk were calculated using these parameters for the trading book portfolios of Deutsche Postbank AG as of December 31, 2001:

Values at risk of trading book portfolios

in €m	Financial markets			
	Interest rate trading Money market	Capital markets incl. equity trading	Trading by Postbank International	Total trading book incl. correlation
Value at risk at Dec. 31, 2001	3.51	2.06	0.51	3.95
Minimum value at risk 2001	0.25	1.17	0.19	2.21
Maximum value at risk 2001	5.25	7.05	6.29	7.02
Average value at risk 2001	**2.62**	**2.69**	**0.98**	**3.83**
Value at risk at Dec. 31, 2000	0.54	3.99	-	3.99
Minimum value at risk 2000	0.19	0.13	-	0.48
Maximum value at risk 2000	1.64	10.16	-	10.18
Average value at risk 2000	**0.8**	**1.68**	**-**	**2.03**

The quality of the computed values at risk is assured by regular comparison with actual performance (clean backtesting).

In addition to the values at risk, worst case scenarios are computed at regular intervals to enable an estimate of the effects of extreme market movements on the Postbank portfolios.

• Interest rate risk

Interest rate risk is the term used to denote changes in the fair values of fixed-income financial instruments resulting from changes in market interest rates. Interest rate risk arises if there are differences between fixed-income assets and liabilities for certain maturity ranges. To classify interest rate risk, interest-bearing financial instruments are allocated for hedging purposes to the maturity range in which they are locked in to fixed interest rates, based on the time to maturity or an earlier interest rate adjustment date.

The following table presents the open fixed-rate positions of Deutsche Postbank AG. Positions with a positive value denote the fixed-rate risk of assets, i.e. there is a surplus of assets; negative values represent a surplus of liabilities.

The effects on Postbank's hedges (e.g. interest rate swaps) are contained in the interest rate risk position shown below.

• Liquidity risk

Above and beyond the existing daily operating liquidity management systems in the financial markets division, the financial projections produced by risk management also forecast the development of investable cash flow for the current and the following year to obtain advance information on the development of the Deutsche Postbank group's cash position.

• Operational risk

The Deutsche Postbank group approaches operational risk as a separate type of risk. The underlying definition meets the standards issued by the Basle Committee on Banking Supervision, which defines operational risk as "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". Bank-specific criteria have been developed to distinguish operational risk from the other types of risk, as well as for the individual subcategories of operational risk.

Interest rate risk position

in €m	1 to less than 4 years	4 to less than 6 years	6 to less than 8 years	8 to less than 10 years
Fixed-rate assets	119,516	17,380	12,883	8,213
Fixed-rate liabilities	-120,809	-15,344	-13,544	-7,607
Interest rate risk position 2001	**-1,293**	**2,036**	**-661**	**606**
Fixed-rate assets	34,068	13,446	11,188	7,545
Fixed-rate liabilities	-37,008	-13,935	-11,272	-7,661
Interest rate risk position 2000	**-2,940**	**-489**	**-84**	**-116**

● **Risk assets and capital ratio**

Regulatory own resources (based on the HGB financial statements) are as follows:

Own resources

		2001	2000
Risk-weighted assets	in €m	39,176	32,054
Capital charge for market risk positions	in €m	4,375	151
Positions for which capital charges are required	in €m	43,551	33,942
Tier 1 capital	in €m	2,726	2,260
Tier 2 capital	in €m	1,490	1,269
Liable capital	in €m	4,216	3,529
Eligible own funds	in €m	4,349	3,529
Tier 1 ratio	in %	7.0	6.7
Capital ratio	in %	10.8	10.4
Overall capital ratio	in %	10.0	10.7

With a capital ratio of 10.8%, the Deutsche Postbank AG group satisfies the minimum requirement of 8%.

42.1.2 Derivatives

Deutsche Postbank AG uses derivatives primarily to hedge recognized and/or off-balance-sheet positions as part of its asset/liability management policy. They are used to hedge interest rate or other market price fluctuations for commercial transactions. Derivatives are also used for trading to a limited extent.

Derivatives on foreign currencies are mostly entered into in the form of currency forwards, currency swaps, interest rate/currency swaps and currency options. Interest rate derivatives relate primarily to interest rate swaps, Forward Rate Agreements and interest rate futures and options; forward transactions in fixed-income securities are occasionally entered into.

The presentation of derivatives follows the recommendation of the Verband öffentlicher Banken (Association of German Public Sector Banks). The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The derivatives portfolio is classified by economic purpose as follows:

Derivatives

in €m	Notional amounts		Positive fair values		Negative fair values	
	2001	2000	2001	2000	2001	2000
Trading derivatives	71,781	12,975	905	36	560	40
Hedging derivatives	58,115	0	1,708	0	2,413	0
Total	**129,896**	**12,975**	**2,613**	**36**	**2,973**	**40**

The following table presents the open interest rate and foreign currency derivatives of the Deutsche Postbank group at the balance sheet date:

Derivatives of the Deutsche Postbank group

in €m	2001		
		Fair value	
	Notional amount	Positive fair values	Negative fair values
Trading derivatives			
Currency derivatives			
OTC currencies			
Currency forwards	713	17	10
Currency swaps	7,933	47	71
Total portfolio OTC currencies	8,646	64	81
Total portfolio currency derivatives	**8,646**	**64**	**81**
Interest rate derivatives			
OTC derivatives			
Interest rate swaps	52,285	795	456
Cross-currency swaps	32	32	4
FRAs	2,379	9	6
OTC interest rate options	203	0	10
Other interest-related contracts	56	0	0
Total portfolio OTC derivatives	54,955	836	476
Exchange-traded interest rate futures	5,609	0	0
Exchange-traded interest rate options	2,490	2	1
Total portfolio interest rate derivatives	**63,054**	**838**	**477**
Equity/index derivatives			
Equity options (long/short)	72	3	2
Total portfolio OTC derivatives	72	3	2
Exchange-traded equity/index futures	4	0	0
Exchange-traded equity/index options	5	0	0
Total portfolio equity/index derivatives	**81**	**3**	**2**
Total portfolio of held-for trading derivative assets/(liabilities)	**71,781**	**905**	**560**
thereof economic hedging derivatives	17,842	630	255
Hedging derivatives			
Fair value hedges			
Interest rate swaps	52,640	1,002	2,264
Cross-currency swaps	5,475	706	149
Total portfolio of derivative assets/(liabilities) held for hedging purposes	**58,115**	**1,708**	**2,413**
Total portfolio of derivative assets/(liabilities)	**129,896**	**2,613**	**2,973**

The following table provides an overview of the total portfolio of recognized derivative assets and liabilities, structured by remaining maturity. The remaining maturity is the period between the balance sheet date and the contractual maturity of the asset or liability.

Maturities

in €m	Hedging derivatives		Trading derivatives	
	Positive fair values 2001	Negative fair values 2001	Positive fair values 2001	Negative fair values 2001
Less than three months	120	87	53	83
Three months to one year	395	133	63	165
One to five years	653	1,071	434	214
More than five years	540	1,122	355	98
	1,708	**2,413**	**905**	**560**

• Derivatives – Classification by counterparties

The following table presents the positive and negative fair values of derivatives by counterparty:

Classification by counterparties

in €m	Positive fair values 2001	Negative fair values 2001
Banks in OECD countries	2,519	2,729
Public institutions in OECD countries	94	244
Other counterparties in OECD countries	0	0
	2,613	**2,973**

The effects of the first-time application of IAS 39 relating to the recognition of derivatives and the adjustments to the carrying amounts of balance sheet items designated as hedged items within the meaning of hedge accounting in accordance with IAS 39 are as follows:

Effects of first-time application of IAS 39

in €m	2001
Value of derivatives after recognition at fair values	-380
thereof:	
Trading derivatives:	
Economic hedging derivatives	256
Hedging derivatives:	
Fair value hedges	-636
Changes in the carrying amount of underlyings that are a component of effective hedges for hedge accounting purposes	624
less deferred taxes from initial remeasurement	-110
Total amount net of deferred taxes	**134**

42.1.3 Fair values of primary financial instruments

In accordance with IAS 39.166 in conjunction with IAS 32, both the carrying amounts and the fair values must be disclosed for financial instruments carried at amortized cost. As defined by IAS 39, fair value is the amount at the balance sheet date for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

If there is an active market for a financial instrument (e.g. a stock exchange), the fair value is expressed by the market or exchange price at the balance sheet date. As there is not an active market for all assets, the fair value of such instruments must be calculated by using investment techniques (in particular the discounted present value method and option pricing models). The parameters factored into the calculation of fair value are based on market conditions at the balance sheet date.

The fair values are compared with the carrying amounts (amortized cost) of the financial instruments, classified by balance sheet item:

Carrying amounts/Fair values		
in €m	Carrying amount 2001	Fair value 2001
Assets		
Cash reserves	1,373	1,373
Receivables from banks	35,531	35,567
Receivables from customers	38,853	39,242
Provisions for risks	-621	-621
Long-term investments	14,010	14,353
Liabilities		
Due to banks	26,819	19,096
Due to customers	62,272	69,583
Securitized and subordinated liabilities	40,587	41,539

Management of the market risk of positions not allocated to the trading portfolio is based on their risk content in various portfolios, and not on an individual product basis. This operational management is based on present value concepts that also include the use of derivatives in the portfolios.

42.2 Risks and fair values of financial instruments in other Deutsche Post World Net companies

• Risks

Deutsche Post World Net uses derivatives to manage liquidity, currency and interest rate risks. They are used exclusively together with a hedged item. The transactions are recorded in a treasury risk management program and valued regularly. Trading, monitoring and settlement are separate functions.

Derivatives are traded exclusively with prime-rated German and foreign banks. The credit rating of counterparties is reviewed regularly and a trading limit is fixed.

IAS 39 was applied for the first time to fiscal year 2001. All hedging instruments and hedged items were measured in accordance with IAS 39 and recognized in the consolidated financial statements.

The total portfolio of derivatives at December 31, 2001 amounted to €1,883 million, with a positive fair value of €1.6 million.

• Liquidity risk and liquidity management

Liquidity risk is the risk that necessary cash resources cannot be provided in good time. The function of liquidity management is to ensure sufficient liquidity and to eliminate or reduce unexpected financial events (financing and investment risk) for Deutsche Post World Net. Adequate confirmed bank lines of credit were available to the Group at the end of 2001 for this purpose.

• Currency risk and currency management

Currency risk, i.e. potential losses in the value of a financial instrument due to changes in exchange rates, arise in particular where receivables and liabilities are denominated in a currency other than the company's local currency.

Currency risk in the Group is hedged by using currency forwards, currency options and currency swaps. The reported volume of €61 million relating to currency forwards and options is used to hedge binding contracted future transactions relating to the supply of goods and services.

Intragroup financing and investments in foreign currencies are hedged using currency swaps with matching amounts and maturities. The outstanding volume at the balance sheet date was around €994 million. Measurement resulted in a negative fair value of €8.8 million.

Cross-currency swaps with a notional amount totaling €207 million eliminate the exchange rate risk from long-term refinancing in foreign currencies. The fair value at the reporting date was €12 million.

All instruments have less than one year to maturity, with the exception of the cross-currency swaps. Each hedging instrument is allocated to a hedged item.

• Interest rate risk and interest rate management
Interest rate risk, i.e. the risk that the value of financial instruments may change due to interest rate fluctuations on the capital markets, arises in particular in the case of receivables, liabilities and financial instruments with more than one year to maturity. Such maturities are relevant only to long-term investments and financial liabilities.

Deutsche Post World Net uses primary and derivative financial instruments to optimize interest costs and to diversify the interest rate risk. A primary risk diversification effect is achieved by selective portfolio building. Derivatives are used to adjust the debt structure. Short-term Forward Rate Agreements (FRAs) were traded in fiscal year 2001 for this purpose.

• Fair values
The fair values of derivative financial instruments are as follows:

Fair values of derivatives

in €m	2001			2000		
	Notional amount	Fair values positive	negative	Notional amount	Fair values positive	negative
Interest rate products						
OTC products						
Interest rate swaps	0	0	0	0	0	0
FRAs	0	0	0	200	0	-1
Interest rate options				0	0	0
Currency derivatives						
OTC products						
Currency forwards	31	0	0	517	0	-15
Currency options	30	0	0	414	0	-13
Currency swaps	994	3	-12	921	36	0
Cross-currency swaps	207	13	-2	207	7	0
Exchange-traded products						
Currency options	0	0	0	0	0	0
Currency futures	0	0	0	0	0	0
	1,262	**16**	**-14**	**2,259**	**43**	**-29**

The fair value of a primary financial instrument is the price obtainable on the market, i.e. the price at which the financial instrument can be freely traded between two parties in a current transaction.

43. Contingent liabilities
Contingent liabilities are firstly 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. Secondly they include existing obliga-

tions that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the obligation cannot be measured with sufficient reliability.

The Group's contingent liabilities relate to the following items:

Contingent liabilities

in €m	2001	2000
Guarantees	884	765
Warranty obligations	393	371
Contingent liabilities from litigation costs	58	70
Contingent liabilities from third-party claims	35	43
Other contingent liabilities	1,493	1,204
	2,863	**2,453**

A number of proceedings are still pending at the European Commission involving allegations of violations of European competition and state aid law.

In the competition proceedings relating to the allegation of excessive postage prices, Deutsche Post was able to establish that its postage prices are appropriate. Both the German government and Deutsche Post believe that the allegation of cross-subsidy of the parcels business by the mail business in the state aid proceedings instituted against the Federal Republic of Germany are unsubstantiated. However, no assurance can be given that the European Commission will not impose fines on Deutsche Post AG in these proceedings. As management believes that the likelihood of such fines being imposed is very low, no provisions were set up in the year under review.

44. Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €3,827 million (previous year, adjusted: €3,303 million) from operating leases as defined by IAS 17. These lease obligations relate primarily to long-term property leases (€3,483 million, previous year: €2,712 million).

The increase in future minimum lease payments results firstly from signature of the lease on the Post Tower, which will be available from mid-2002 as an administration building for Group headquarters, and secondly from the rising demand for office and warehousing space.

The maturity structure of these future payment obligations is presented below:

Minimum lease payments

in €m	2001	2000
Minimum lease payments for		
2002	592	573
2003	509	463
2004	396	362
2005	323	309
2006	283	268
after 2006	1,724	1,328
	3,827	**3,303**

The present value of discounted minimum lease payments is €2,738 million (previous year: €2,445 million). Overall, rental and lease payments of €856 million (previous year: €720 million) arose, of which €509 million relates to non-cancellable leases and €34 million to contingent rent. Revenue received from the subleasing of leased assets amounted to €14 million.

Future lease obligations from non-cancellable leases relate primarily to the following companies:

Future lease obligations

in €m	2001	2000
Deutsche Post AG	2,163	1,610
Deutsche Postbank group	179	232
Danzas group	953	725
Other Group companies	532	736
	3,827	**3,303**

45. Significant events after the balance sheet date

The marketing and sales functions of the Express Germany Business Division are being transferred to the wholly owned subsidiary Deutsche Post Euro Express Deutschland GmbH & Co. OHG, which started operating on January 1, 2002. The reason for this spin-off was a ruling by the European Commission in March 2001, concluding a competition case pending since 1994 along the lines favored by Deutsche Post. A decision was taken to transfer the commercial parcels service to an organizationally autonomous subsidiary covering all b-to-b and b-to-c services except counter services in Germany.

46. Related party disclosures

In addition to the consolidated subsidiaries, Deutsche Post AG has direct or indirect relationships with a large number of unconsolidated subsidiaries and associates in the course of its ordinary business activities. In the course of its ordinary business 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.

All companies classified as related parties that are controlled by Deutsche Post AG or on which the Group can exercise significant influence are recorded on the list of shareholdings together with information on the equity interest held, their equity and net profit or loss for the period, broken down by corporate division. The list of shareholdings is filed with the commercial register of the Bonn Local Court.

On July 25, 2001, the German cabinet adopted the bill amending the Postal Service Transformation Act. This will enable the German government to sell all remaining shares it holds in Deutsche Post AG.

Details of obligations to the Federal Republic of Germany relating to contribution payments to Bundes-Pensions-Service für Post und Telekommunikation e.V. are contained in the disclosures in notes 12 and 34.

The remuneration of the Board of Management in fiscal year 2001 amounted to €5.8 million (previous year: €5.2 million), and the remuneration of former members of the Board of Management amounted to €0.95 million (previous year: €0.85 million). Provisions for current pensions and pension entitlements were recognized in the amount of €28.8 million (previous year: €13.4 million).

The total remuneration paid to members of the Supervisory Board for fiscal year 2001 amounted to €0.7 million (previous year: €0.6 million).

47. Significant subsidiaries, joint ventures and associates

	Country	Equity interest and share of voting rights Dec. 31, 2001	Equity interest and share of voting rights Dec. 31, 2000	Revenue 2001[1] in €m	Revenue 2000[1] in €m
Significant subsidiaries					
MAIL					
Deutsche Post In Haus Service GmbH	Germany	100.00	100.00	57	50
Merkur Direktwerbeges. mbH & Co. KG	Germany	100.00	51.11	38	32
Deutsche Post Direkt GmbH	Germany	100.00	100.00	18	14
EXPRESS					
Van Gend & Loos B.V. Group	Netherlands	100.00	100.00	404	419
Ducros Services Rapides S.A.	France	100.00	100.00	244	290
Deutsche Post Express GmbH	Germany	100.00	100.00	199	170
Deutsche Post Global Mail Ltd.	USA	100.00	100.00	177	111
Deutsche Post S.r.l., (formerly M.I.T. S.r.l.)	Italy	100.00	100.00	124	75
Servisco Sp. z.o.o.	Poland	60.00	60.00	71	57
Selektvracht B.V.	Netherlands	100.00	100.00	52	48
trans-o-flex Schnell-Lieferdienst Ges. mbH	Austria	100.00	100.00	34	24
Deutsche Post (Schweiz) AG	Switzerland	100.00	100.00	32	22
Deutsche Post Global Mail (UK) Ltd. (formerly Herald International Mailings Limited)	United Kingdom	100.00	100.00	28	20
LOGISTICS					
Danzas Holding AG (Subgroup)	Switzerland	100.00	100.00	9,153	8,288
FINANCIAL SERVICES					
Deutsche Postbank AG (Subgroup)	Germany	99.99[2]	99.99[2]	7,577	7,985
OTHER					
McPaper AG Group	Germany	100.00	100.00	80	136
Deutsche Post Immobilienservice GmbH	Germany	100.00	100.00	120	101
Deutsche Post Service- und Vertriebsgesellschaft mbH Group	Germany	100.00	100.00	63	44
Deutsche Post Consult GmbH	Germany	100.00	100.00	21	27
Significant joint ventures					
Securicor Omega Holdings Ltd.	United Kingdom	25.00/50.00[3]	25.00/50.00[3]	686	544
Narrondo Desarrollo S.L.	Spain	49.00	49.00	103	93
Significant associates					
DHL International Limited	Bermuda	46.39	25.00		
trans-o-flex Schnell-Lieferdienst GmbH	Germany	24.80	24.80		

[1] IAS amounts reported in single-entity financial statements.
[2] The amount disclosed relates to the share capital of Deutsche Postbank AG.
[3] In the case of Securicor Omega Holdings Ltd., United Kingdom, the equity interest is 25.00%, the share of voting rights is 50.00% and the interest in net assets (the basis of proportionate consolidation) is 49.99%.

Bonn, February 21, 2002

Deutsche Post AG
Board of Management

Auditors’ Report

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, for the fiscal year January 1 to December 31, 2001, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes. The preparation and content of the consolidated financial statements in accordance with the International Accounting Standards issued by the IASC (IASs) are the responsibility of the company’s Board of Management. Our responsibility is to express an opinion on whether the consolidated financial statements comply with the IASs, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as well as in accordance with the International Standards on Auditing (ISAs). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IASs.

Our audit, which also extends to the Group management report prepared by the Board of Management for the fiscal year January 1 to December 31, 2001 in accordance with German auditing requirements, has not led to any reservations. In our opinion, on the whole the Group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. We also confirm that the consolidated financial statements for the fiscal year January 1 to December 31, 2001 and the Group management report for fiscal year 2001 satisfy the conditions required for the company's exemption from its obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

Düsseldorf, February 25, 2002

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Wirtschaftsprüfungsgesellschaft

Brebeck
Wirtschaftsprüfer
(German Certified
Public Accountant)

Menke
Wirtschaftsprüfer
(German Certified
Public Accountant)

Income Statement (Postbank at Equity)

For the period January 1 to December 31, 2001

in €m	Deutsche Post World Net (Postbank at equity) 2001	Deutsche Post World Net (Postbank at equity) 2000
Revenue	26,408	25,269
Other operating income	1,093	931
Total operating income	**27,501**	**26,200**
Materials expense	-10,444	-9,561
Staff costs	-10,641	-10,425
Depreciation and amortization expense, excluding goodwill amortization	-943	-929
Other operating expenses	-3,420	-3,379
Total operating expenses excluding goodwill amortization	**-25,448**	**-24,294**
Profit from operating activities before goodwill amortization (EBITA)	**2,053**	**1,906**
Goodwill amortization	-169	-144
Profit from operating activities (EBIT)	**1,884**	**1,762**
Net income from associates	-130	6
Net income from measurement of Deutsche Postbank group at equity	379	424
Net other finance costs	-115	-218
Net financial income	**134**	**212**
Profit from ordinary activities	**2,018**	**1,974**
Income tax expense	-426	-455
Net profit for the period before minority interest	**1,592**	**1,519**
Minority interest	-9	-7
Consolidated net profit for the period	**1,583**	**1,512**

Balance Sheet (Postbank at Equity)

As of December 31, 2001

in €m **Assets**	**Deutsche Post World Net (Postbank at equity) 2001**	**Deutsche Post World Net (Postbank at equity) 2000**
Noncurrent assets		
Intangible assets	3,195	3,133
Property, plant and equipment	7,373	7,924
Long-term investments		
Investments in associates	1,108	460
Investments in the Deutsche Postbank group	3,337	2,915
Other long-term investments	948	130
	5,393	**3,505**
	15,961	**14,562**
Current assets		
Inventories	159	169
Receivables and other assets	4,641	4,852
Receivables and investment securities from financial services	0	0
Current financial instruments	39	32
Cash and cash equivalents	594	513
	5,433	**5,566**
Deferred tax assets	**667**	**1,056**
	22,061	**21,184**
Equity and liabilities		
Equity		
Issued capital	1,113	1,113
Reserves	2,657	1,376
Consolidated net profit	1,583	1,512
	5,353	**4,001**
Minority interest	**16**	**15**
Provisions		
Provisions for pensions and other employee benefits	6,075	6,192
Tax provisions	574	559
Other provisions	2,681	2,771
	9,330	**9,522**
Liabilities		
Financial liabilities	2,383	2,555
Trade payables	2,279	2,476
Liabilities from financial services	0	0
Other liabilities	2,700	2,615
	7,362	**7,646**
	22,061	**21,184**

Cash Flow Statement (Postbank at Equity)

As of December 31, 2001

in €m	Deutsche Post World Net (Postbank at equity) 2001	Deutsche Post World Net (Postbank at equity) 2000
Net profit before changes in working capital/Cash flow I	3,028	2,783
Net cash from operations/Cash flow II	2,797	2,386
Net cash from operating activities/Cash flow III	**2,593**	**1,915**
Net cash used in investing activities	**-2,020**	**-2,134**
Net cash used in (previous year: net cash from) financing activities	**-492**	**236**
Net change in cash and cash equivalents	**81**	**17**
Cash and cash equivalents at Jan. 1	513	496
Cash and cash equivalents at Dec. 31	**594**	**513**

Explanatory Notes to the Consolidated Financial Statements including the Deutsche Postbank Group at Equity

The activities of Deutsche Postbank group differ substantially from the ordinary activities of the other companies in the Deutsche Post World Net Group. To enable a clearer presentation of the net assets, financial position and results of operations of the Group, the Deutsche Postbank group was excluded from full consolidation in the accompanying consolidated financial statements as of December 31, 2001. The Deutsche Postbank group is accounted for in these financial statements only as a financial investment carried at equity.

The preparation of the consolidated financial statements of Deutsche Post World Net including the Deutsche Postbank group at equity is in agreement with the International Accounting Standards (IASs) adopted and published by the International Accounting Standards Committee (IASC) to be applied at the balance sheet date, and their interpretation by the Standing Interpretations Committee (SIC).

First-time application of IAS 39 resulted in recognition and measurement changes which are explained in note 6.

The accounting treatment differs from the standards required by the IASs to the extent that the Deutsche Postbank group was not fully consolidated, as required by IAS 27, but was accounted for at equity.

Compared with the full consolidation of the Deutsche Postbank group as applied to the consolidated financial statements, accounting for the Deutsche Postbank group using the equity method has the following consequences:

- The assets and liabilities of the Deutsche Postbank group are not recognized in the consolidated balance sheet, and its expenses and income are not recognized in the consolidated income statement.
- The consolidation adjustments for the full consolidation of Deutsche Postbank group have not been recognized. Transactions between the Deutsche Postbank group and the other Group companies are included in the financial statements. However, intercompany profits and losses between the Deutsche Postbank group and the fully consolidated Group companies have been eliminated as required for the inclusion of associates (SIC-3).
- The investments in the Deutsche Postbank group carried at equity are reported under long-term investments.

The investment income resulting from accounting for the investment in Deutsche Postbank group using the equity method is disclosed as a separate item in net financial income. Accordingly, net financial income includes the proportionate net profit for the period, income from the reversal of the negative goodwill of the Deutsche Postbank group and the effect on income of the continuation of hidden reserves released as part of first-time consolidation.

Review Report

Deutsche Post AG, Bonn, has prepared consolidated financial statements for the fiscal year January 1 to December 31, 2001 in accordance with International Accounting Standards (IASs) that qualify as exempting consolidated financial statements in accordance with section 292a HGB. We have audited these financial statements and issued an unqualified opinion.

For information purposes, Deutsche Post AG, Bonn, has prepared another set of consolidated financial statements (modified consolidated financial statements) based on the exempting consolidated statements in accordance with section 292a HGB. These financial statements provide pro forma information about the net assets, financial position and results of operations of the Group that would have been reported if the Deutsche Postbank group had not been fully consolidated in accordance with IAS 27, but had been included as an associate accounted for at equity, although the requirements for this do not apply.

In accordance with the terms of our engagement, we have reviewed the modified consolidated financial statements of Deutsche Post AG, Bonn, consisting of the income statement, balance sheet and cash flow statement, but without a statement of changes in equity and explanatory notes for the period January 1 to December 31, 2001. The preparation of the modified consolidated financial statements is the responsibility of the company's Board of Management. Our responsibility is to issue a review report on these modified consolidated financial statements based on our review.

We conducted our review of the modified consolidated financial statements in accordance with the International Standard on Auditing (ISA) applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the modified consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and reasonableness reviews relating to the presentation of the net assets, financial position and results of operations of the Group and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, we certify that the modified consolidated financial statements for the year ended December 31, 2001 are in accordance with the accounting and measurement principles of the IASs, except for the inclusion of the Deutsche Postbank group at equity rather than as a fully consolidated company, as required by IAS 27. The IAS financial statements are not, however, complete, since the statement of changes in equity and explanatory notes have not been prepared. In addition, we certify that except for the above matters, nothing has come to our attention that causes us to believe that the modified consolidated financial statements contain material misstatements.

Düsseldorf, February 25, 2002

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Wirtschaftsprüfungsgesellschaft

Brebeck	Menke
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Certified	(German Certified
Public Accountant)	Public Accountant)

Members of the Board of Management

Fiscal year 2001:

Dr. Klaus Zumwinkel	Chairman of the Board of Management
Dr. Hans-Dieter Petram	MAIL
Dr. Peter E. Kruse	EXPRESS (Euro Express)
Uwe R. Dörken	EXPRESS (Worldwide Express)
Peter Wagner (until Dec. 31, 2001)	LOGISTICS
Prof. Dr. Wulf von Schimmelmann	FINANCIAL SERVICES
Walter Scheurle	Personnel
Dr. Edgar Ernst	Finance

From January 1, 2002:

Dr. Klaus Zumwinkel

Chairman of the Board of Management

Dr. Klaus Zumwinkel (born 1943) has been Chairman of the Board of Management of Deutsche Bundespost POSTDIENST since January 1, 1990 and of Deutsche Post AG since January 1995. In addition, he is responsible for corporate executives, corporate communications, the public affairs and regulations field as well as the international and environmental policy sector. Following his studies at Münster University (Dipl.-Kaufmann), the Wharton Business School (Master of Science) in Philadelphia, USA, and conferment of the title of Dr. rer. pol., Dr. Zumwinkel joined McKinsey & Company, Inc. in Düsseldorf and New York in 1974 where he became Partner and member of the German management in 1979. Five years later he was made Senior Partner, having been elected into McKinsey's worldwide management. In 1985, he moved to the Quelle group in Fürth where he was appointed board member and chairman of the board until he joined Deutsche Bundespost POSTDIENST.

Dr. Hans-Dieter Petram

MAIL

Dr. Hans-Dieter Petram (born 1943) studied business administration at Berlin and Münster universities and gained a Dr. rer. pol. from Münster University. Early on in his career, he was responsible for financial services sales at Deutsche Anlagen Leasing GmbH, Mainz. From 1975 he held various posts at Deutsche Immobilien Leasing GmbH, Düsseldorf, the last post being that of director and authorized officer. In 1986 Dr. Petram became director of the real estate division at Gustav Schickedanz KG in Fürth where he was responsible for real estate, construction and equipment of the large mail order company Quelle AG, also based in Fürth. Since April 1990 he has been a member of the Board of Management at Deutsche Bundespost POSTDIENST, since 1995 Deutsche Post AG. As Board member, Dr. Petram first headed the retail outlets division before moving to the MAIL Corporate Division in October 1999.

Dr. Peter E. Kruse

EXPRESS (Euro Express), LOGISTICS

Dr. Peter E. Kruse (born 1950) studied mechanical engineering and economic sciences at the technical university RWTH in Aachen. After gaining his engineering doctorate in 1976, he joined Metallgesellschaft in Frankfurt as controller in 1977. Between 1981 and 1993 he worked for the Bertelsmann group, his last post being that of sole managing director of Bertelsmann Distribution. In 1993, he was appointed board member of Kühne & Nagel (International) AG. Since January 2001, Dr. Kruse has been a member of Deutsche Post AG's Board of Management where he heads the Euro Express Board Department forming part of the EXPRESS Corporate Division. In addition, on January 1, 2002 he will be entrusted with the management of the LOGISTICS Corporate Division.

Uwe R. Dörken

EXPRESS (Worldwide Express)

Uwe R. Dörken (born 1959) trained as a bank officer at Deutsche Bank AG in Wuppertal, continuing his education with a degree in economic sciences from the University of St. Gallen in Switzerland. His professional career began in 1986 when he joined McKinsey & Company, Inc. in Amsterdam as a management consultant, focusing in particular on strategic studies for global transport and logistics companies. In 1991 he moved to Deutsche Bundespost POSTDIENST where he headed the international mail segment until his appointment to the Board of Management of Deutsche Post AG in June 1999. Since January 2001, as Chairman and CEO of DHL based in Brussels he has been heading the Worldwide Express Board Department which forms part of the EXPRESS Corporate Division.

Prof. Dr. Wulf von Schimmelmann

FINANCIAL SERVICES

Prof. Dr. Wulf von Schimmelmann (born 1947) studied economic sciences at Hamburg and Zürich universities, gaining a doctorate (Dr. oec. publ.). In 1989 he was made an honorary professor in the faculty of economic sciences at Konstanz University. His business career commenced in 1972 at McKinsey & Company, Inc. in Zürich. Following postings to Cleveland, Kuwait and Düsseldorf he was made a Partner in 1978. In the same year, he joined Landesgirokasse Stuttgart as a board member. In 1984 Prof. von Schimmelmann became a member of the board of management of Deutsche Genossenschaftsbank AG, Frankfurt, and moved to BHF-Bank AG in Frankfurt as associate in 1991. From 1997 to 1999 he managed the equity investment company Regius as executive partner. He was appointed Chairman of the Board of Management of Deutsche Postbank AG and joined Deutsche Post AG's Board of Management in the same year, where he is responsible for the FINANCIAL SERVICES Corporate Division.

Walter Scheurle

Personnel

Walter Scheurle (born 1952) began his career in 1967 with an apprenticeship at Deutsche Bundespost. From 1979, he held various full-time positions for Deutsche Postgewerkschaft, the German postal workers' union. In 1994, he was also a member of the European Commission's Joint Committee on postal services. Since 1995, as a member of the Postgewerkschaft's National Executive, he was responsible for postal policy, training policy and youth affairs. In the same year, he became a member of the Supervisory Board of Deutsche Post AG and since April 2000 has been a member of the Board of Management, where he is responsible for the Personnel Board Department.

Dr. Edgar Ernst

Finance

Dr. Edgar Ernst (born 1952) studied mathematics and business administration at Cologne University and the technical university RWTH in Aachen. Having gained his degrees (Dipl.-Math., M.O.R.) he initially held the post of university assistant in Hagen and Aachen. In 1982 he gained his doctorate (Dr. rer. pol.), joining McKinsey & Company, Inc. in Düsseldorf as a management consultant in 1983. In 1986 Dr. Ernst joined Gustav Schickedanz KG in Fürth where he held the post of director of corporate development at Quelle AG, the large mail order company based in Fürth. In 1990 he moved to Deutsche Bundespost POSTDIENST, first as head of planning and controlling, since 1992 as Board member. He has been a member of the Board of Management of Deutsche Post AG since 1995 and is responsible for the Finance Board Department.

Members of the Supervisory Board in fiscal year 2001

Shareholders' representatives

Josef Hattig (Chairman of the Supervisory Board)
Senator for Economic Affairs and the Ports for the Free Hanseatic City of Bremen

Willem G. van Agtmael
Managing Partner, E. Breuninger GmbH & Co.

Hero Brahms
Member of the Board of Management, Linde AG

Dr. Jürgen Großmann (from June 27, 2001)
Managing Partner, Georgsmarienhütte Holding GmbH

Adolf Kracht (until June 27, 2001)
Member of the Board of Management,
Gerling-Konzern Rheinische Versicherungs-Gruppe AG

Prof. Dr. Ralf Krüger
Management consultant, Professor at the Fachhochschule Wiesbaden

Dr. Manfred Lennings
Management consultant

Dr. Manfred Overhaus
State Secretary, Federal Ministry of Finance

Dr. Klaus Rauscher (until June 27, 2001)
Member of the Board of Management, Bayerische Landesbank Girozentrale

Prof. Dr. Jürgen Richter (until June 27, 2001)
Chairman of the Managing Board,
Bertelsmann Springer Science + Business Media GmbH, Berlin

Alfred N. Schindler (from June 27, 2001)
Chairman of the Supervisory Board and CEO, Schindler Holding AG

Jürgen Sengera (from June 27, 2001)
Chairman of the Board of Management,
Westdeutsche Landesbank Girozentrale, Düsseldorf/Münster

Ulrike Staake
Managing Director, Deutsche Bank, Hamburg

Employees' representatives

Kurt van Haaren
(Deputy Chairman of the Supervisory Board) (until Dec. 31, 2001)
Former Chairman of German Postal Workers' Union

Frank von Alten-Bockum (from Aug. 31, 2001)
Member of Deutsche Post AG's Executive Representation Committee

Rolf Büttner
Member of the ver.di trade union's Federal Executive Board

Marion Deutsch (from Aug. 31, 2001)
Member of Works Council, Deutsche Post AG, Mail Production Branch, Saarbrücken

Petra Pfisterer, née Heinze
Member of Works Council, Deutsche Post AG, Mail Production Branch, Halle

Henry Hillmann
Member of Deutsche Post AG's Central Works Council

Franz Schierer
Deputy ver.di Federal State District Head, Federal State District of Baden-Württemberg

Siegfried Schulze
Deputy Chairman of Deutsche Post AG's Central Works Council

Armin Stoffleth (until Aug. 31, 2001)
Former Chairman of Deutsche Post AG's Executive Representation Committee

Benita Unger (until Aug. 15, 2001)
ver.di trade union secretary, Federal State District of Berlin-Brandenburg

Stefanie Weckesser
Chair of Works Council, Deutsche Post AG, Parcel Branch, Augsburg

Margrit Wendt
Chair of Deutsche Post AG's Central Works Council

Supervisory board mandates held by members of the Board of Management

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Dr. Klaus Zumwinkel	Deutsche Lufthansa AG Tchibo Holding AG Thyssen Krupp Materials & Services AG (until May 21, 2001) Allianz Versicherungs-AG (from Jan. 1, 2001) Deutsche Postbank AG* (Chair)	C.V. International Post Corp. U.A., Belgium (Board of IPC/Deputy Chair) DHL Worldwide Express B.V., Netherlands (Board of Directors) Danzas Holding AG*, Switzerland (Supervisory Board/Chair) Deutsche Post eBusiness GmbH* (Advisory Board/Chair, from Jan. 22, 2001) Deutsche Post Ventures GmbH* (Investment Committee) Deutsche Post Beteiligungen GmbH* (Supervisory Board/Chair)
Dr. Hans-Dieter Petram	TALANX AG Deutsche Postbank AG*	Deutsche Post Immobilien-entwicklung GmbH* (Advisory Board/Chair) Deutsche Post Bauen GmbH* (Advisory Board/Chair) Deutsche Post Immobilienservice GmbH* (Advisory Board/Chair)
Dr. Peter E. Kruse	No membership	Deutsche Post Euro Express GmbH* (Advisory Board, from Apr. 12, 2001) Deutsche Post Global Mail GmbH* (Advisory Board, from Apr. 12, 2001) Guipuzcoana (Narrondo Desarrollo S.L.)*, Spain (Board of Directors, from March 2, 2001) Securicor Omega Holdings Ltd.*, UK (Board of Directors, from Feb. 28, 2001)

*Group mandate.

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Dr. Peter E. Kruse (cont'd)		DHL Worldwide Express B.V., Netherlands (Board of Directors, from June 22, 2001) Danzas Holding AG*, Switzerland (Supervisory Board, from Dec. 1, 2001)
Peter Wagner (until Dec. 31, 2001)	No membership	Vontobel Holding AG, Switzerland (Supervisory Board) Bank J. Vontobel AG, Switzerland (Supervisory Board) Through Transport Mutual Insurance Association Ltd., USA (Board of Directors, until Nov. 30, 2001) Through Transport Mutual Insurance Association (EurAsia) Ltd., UK (Board of Directors, until Nov. 30, 2001) Danzas AEI Inc.*, USA (Board of Directors/Chair, until Dec. 31, 2001) Danzas Holding AG*, Switzerland (Supervisory Board, until Nov. 31, 2001) Danzas Holdings Inc.*, USA (Board of Directors, until Dec. 31, 2001) Danzas ASG AB*, Sweden (Board of Directors/Chair, until Dec. 31, 2001) Danzas Management AG*, Switzerland (Supervisory Board/Chair, until Dec. 20, 2001) Danzas AG*, Switzerland (Supervisory Board/Chair, until Dec. 21, 2001)

*Group mandate.

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Peter Wagner (cont'd)		Railcargo S.A.*, Switzerland (Supervisory Board/Chair, until Dec. 5, 2001) Multisped AG*, Switzerland (Supervisory Board, until Dec. 20, 2001) Danmar Lines AG*, Switzerland (Supervisory Board, until Dec. 20, 2001) Danzas S.p.A.*, Italy (Board of Directors/Chair, until Dec. 31, 2001) Danzas S.A., Madrid*,**, Spain (Board of Directors/Chair, until Dec. 19, 2001) Danzas Lda*, Portugal (Board of Directors, until Dec. 31, 2001) Danzas Internationale Transporten B.V.*, Netherlands (Board of Directors/Chair, until Dec. 31, 2001) Danzas S.A.*, France (Board of Directors, until Dec. 20, 2001) Danzas Participation*, France (Board of Directors, until Dec. 20, 2001)

* Group mandate.
** Formerly Nedlloyd Roqué S.A. With effect from September 20, 2001 the companies Danzas S.A., Madrid, Osjorbe S.L., Spain, Iberfreight Ruta S.L., Spain, and Danzas AEI S.A., Spain, were merged with this company.

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Prof. Dr. Wulf von Schimmelmann	Neue Sentimental Film AG (Chair, until Nov. 30, 2001) PB Versicherung AG* (Chair) Postbank Systems AG* (Chair) Postbank EasyTrade.AG* (Chair, until Feb. 13, 2001) DSL Holding AG* (in liquidation) (Chair) PB Lebensversicherung AG* (Chair)	Bundesverband öffentlicher Banken Deutschlands e.V. (VÖB), (Board of Management) accenture Corp., Irving (Texas, USA) (Board of Directors, from Oct. 18, 2001) PB (USA) Holdings Inc.* (Board of Directors/Chair, from Sept. 26, 2001) PB (USA) Capital Corp.* (Board of Directors/Chair, from Sept. 26, 2001) PB Fund Services GmbH* (Supervisory Board/Deputy Chair, from July 2, 2001)
Walter Scheurle	No membership	No membership
Dr. Edgar Ernst	Deutsche Postbank AG*	Bundesanstalt für Post und Telekommunikation (Administrative Board) Deutsche Post Ventures GmbH* (Investment Committee) Deutsche Post Beteiligungen GmbH* (Supervisory Board)
Uwe R. Dörken	No membership	Deutsche Post Euro Express GmbH* (Advisory Board, until Apr. 12, 2001) Deutsche Post Global Mail GmbH* (Advisory Board, until Apr. 12, 2001) Securicor Omega Holdings Ltd.*, UK (Board of Directors, until Feb. 28, 2001) Guipuzcoana (Narrondo Desarrollo S.L.)*, Spain (Board of Directors/Chair, until March 2, 2001) DHL Worldwide Express B.V., Netherlands (Board of Directors) Document Handling Ltd., Morocco (Supervisory Board/Chair, from March 29, 2001)

*Group mandate.

Additional supervisory board mandates held by members of the Supervisory Board

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Shareholders' representatives:		
Josef Hattig	Bremer Lagerhausgesellschaft AG (Chair) Bremer Landesbank Bremer Investitionsgesellschaft** (Chair) Flughafen Bremen** (Chair) Hanseatische Veranstaltungs-gesellschaft** (Chair) Bremer Design** (Chair) Bremen Marketing GmbH** (Chair) Bremer Gesellschaft für Investitionsförderung und Stadtentwicklung mbH**	Hapag Lloyd (Advisory Board)
Willem G. van Agtmael	No membership	Landesbank Baden-Württemberg (Advisory Board) Energie Baden-Württemberg AG (Advisory Board)
Hero Brahms	Georgsmarienhütte Holding GmbH	M. M. Warburg & Co. KGaA (Shareholders' Committee)
Dr. Jürgen Großmann	Wilhelm Karmann GmbH Klöckner & Co. AG ASL Aircraft Services Lemwerder GmbH a.i.s AG	Ardex GmbH (Advisory Board) Dresdner Bank (Advisory Board) Gesellschaft für Stromwirtschaft m.b.H. (Advisory Board) RWE Wirtschaftsbeirat (Advisory Board) RAG Trading International (Advisory Board)

* Group mandate.
**Mandate held on behalf of the Free Hanseatic City of Bremen.

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Adolf Kracht	Wilhelm von Finck AG (Chair) Dussmann Verwaltungs-AG (Chair) Gerling-Konzern Versicherungs-Beteiligungs-AG* Gerling Firmen- und Privat-Service AG* Deutsche Bank AG	Wilhelm von Finck AG, Inc., USA (Chairman)
Prof. Dr. Ralf Krüger	Deutsche Postbank AG	No membership
Dr. Manfred Lennings	B.U.S. Berzelius Umwelt-Service AG (Chair, until Nov. 30, 2001) Gildemeister AG (Chair) IVG Holding AG (Chair)** Heitkamp-Deilmann-Haniel GmbH (Chair) Bayer AG	Privatbrauerei Diebels GmbH (Advisory Board, until Aug. 22, 2001)
Dr. Manfred Overhaus	Deutsche Bahn AG	GEBB mbH (Supervisory Board)
Dr. Klaus Rauscher	Thüga AG (Deputy Chair) Thüga Beteiligungen AG Fränkische Überlandwerk AG Überlandwerk Unterfranken AG N-Ergie AG VEAG Vereinigte Energiewerke AG Thyssen Krupp Technologies AG	Bauland GmbH BAWAG Bank für Arbeit und Wirtschaft AG Bayerische Landessiedlung GmbH Bayerische Landesanstalt für Aufbaufinanzierung, AdöR (Administrative Board/Deputy Member) Ferngas Nordbayern GmbH BLB Asia Pacific Ltd., Singapore (Chairman of the Board) Rijecka Banka D.D., Croatia (Supervisory Board/Deputy Chair)

* Group mandate.
** Retired from chair on December 4, 2001.

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Prof. Dr. Jürgen Richter	Springer-Verlag GmbH & Co. KG (Chair) Universitätsdruckerei H. Stürtz AG (Chair) Best Entertainment AG	No membership
Alfred N. Schindler	No membership	Schindler Elevator Corporation*, North America (Board of Directors) Schindler Aufzüge AG*, Ebikon (Supervisory Board) ADIN AG, Hergiswil (Supervisory Board/Chair) Venture Incubator AG (Supervisory Board)
Jürgen Sengera	AXA Konzern AG Ford Deutschland Holding GmbH Ford-Werke AG INTERSEROH AG WestLB Systems GmbH* (Chair)	DGZ-DekaBank Deutsche Kommunalbank (Administrative Board/ 1st Deputy Chairman) Deutsche Anlagen Leasing GmbH (Supervisory Board/Chair) DHL Worldwide Express B. V. (Board of Directors) Rockwool Beteiligungs GmbH Rockwool International A/S (Board of Directors) Landesbank Rheinland-Pfalz Girozentrale (Administrative Board) Landesbank Schleswig-Holstein Girozentrale (Administrative Board/ 2nd Deputy Chairman)

*Group mandate.

Board member	Membership of supervisory boards required by law	Membership of comparable national and international supervisory bodies
Jürgen Sengera (cont'd)		Westfälische Provinzial-Feuersozietät, Versicherung der Sparkassen (Administrative Board) Westfälische Provinzial-Lebens-versicherungsanstalt, Versicherung der Sparkassen (Administrative Board) WestLB International S. A.* (Administrative Board) WestLB Panmure Ltd.* (Board of Directors/Chair) WestLB Panmure Securities Inc.* (Board of Directors/Chair)
Employees' representatives:		
Kurt van Haaren	Salzgitter AG	Beteiligungsgesellschaft der Gewerkschaften AG (Advisory Board)
Rolf Büttner	Vereinigte Postversicherung VVaG	No membership
Henry Hillmann	No membership	Iduna/Nova (Insured Persons' Advisory Board)
Siegfried Schulze	Vereinigte Postversicherung VVaG VPV AG	Bundesanstalt für Post und Telekommunikation (Administrative Board)

*Group mandate.

Josef Hattig

Chairman of the Supervisory Board

Josef Hattig trained as a commercial clerk before embarking on a degree course in law and the state sciences. Following employment as a junior judicial officer and assistant to the management, he joined Dortmund brewery Thier & Co where he was a director from 1965 to 1972. In 1972 he moved to Bremen-based brewery Beck & Co as managing director, where he spent 25 years. In the fall of 1997 he became senator of Bremen, first responsible for SMEs, technology, European and economic affairs, and then from July 1999 for economic affairs and the ports.

Hattig was also president of the German brewers' association and chairman of Bremen's chamber of commerce.

Report by the Supervisory Board of Deutsche Post AG on the 2001 Annual Report

The Supervisory Board performed the duties assigned by law and the articles of association. In fiscal year 2001 it held four regular meetings and one extraordinary meeting.

The Board of Management regularly reported to the Supervisory Board about the financial performance of the company. The Supervisory Board was informed of all important business transactions and projects, in addition to revenue and earnings developments. All measures requiring the approval of the Supervisory Board were discussed at length. The Chairman of the Supervisory Board kept in constant contact with the Chairman of the Board of Management and was informed of all important business transactions.

The first regular Supervisory Board meeting of fiscal year 2001 was held in April with 15 members present. The Supervisory Board discussed the Group's business plan with the Board of Management. Moreover, the Supervisory Board approved the purchase of equity investments in companies, including the acquisition of additional shares in DHL International Limited.

Following the General Meeting, the constituent Supervisory Board meeting was held with 19 members present. The Chairman and Deputy Chairman of the Supervisory Board and the members of the committees were elected unanimously.

In a meeting in July which 18 members attended, the Supervisory Board discussed in detail the plan for the acquisition of BHF (USA) Holdings Inc. and approved its acquisition by Deutsche Postbank AG, as well as the company's integration into the Group as PB (USA) Holdings Inc. In addition to the company's regular business, another topic for discussion was a detailed status report on the progress made in integrating acquisitions.

In September, 16 members of the Supervisory Board met to approve the Board of Management's concept for hiving off the Group's commercial parcel delivery operations in accordance with German corporation law. Additional agenda items included the consolidated financial statements as of June 30, 2001 and a detailed discussion of developments in the subsidiaries and the effects of the events of September 11, 2001.

The Supervisory Board held its last meeting of the year in December 2001. All members were present, and among the issues discussed was the company's future business plan.

The Executive Committee of the Supervisory Board met five times. The main issues discussed at these meetings were the performance of the Worldwide Express Business Division, the further development of management tools in the Group, and issues concerning the Board of Management. Dr. Peter E. Kruse was appointed to the Board of Management as of January 1, 2001. Peter Wagner stepped down from the Board of Management as of December 31, 2001.

The Personnel Committee met four times, focusing on human resources strategy.

The Finance Committee held four meetings in which it discussed the annual and consolidated financial statements for 2001, the key points of the business plan for 2002, the acquisition of equity investments, and real estate transactions. This Committee conferred at length about the further development of Group management practices, as well as opportunity and risk management.

The Mediation Committee in accordance with section 27 (3) of the MitbestG (Co-Determination Act) did not meet in the fiscal year under review.

The annual financial statements, the consolidated financial statements, the respective management reports, the Board of Management's report on affiliated companies, and the audit report prepared by the company's auditor PwC Deutsche Revision AG in Düsseldorf were made available to all members of the Supervisory Board.

The auditors issued an unqualified opinion on the annual financial statements, including the management report, and the consolidated financial statements, including the Group management report.

The auditors also audited the Board of Management's report on affiliated companies (dependent company report) prepared in compliance with section 312 of the Aktiengesetz (German Stock Corporation Act). The auditors reported on the results of their audit and issued the following audit opinion:

"On completion of our audit in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,
2. the company's compensation with respect to the transactions listed in the report was not inappropriately high."

The Supervisory Board took note of and concurred with the results of the audit. The Supervisory Board itself also examined the annual financial statements and management report, the Board of Management's report on affiliated companies, and the consolidated financial statements and Group management report, and discussed these at length at its finance meeting on March 21, 2002 in the presence of the auditors. The auditors reported on the results of their audit and were available to answer questions.

No objections were raised by the Supervisory Board, and it therefore approved the annual financial statements and the report on affiliated companies prepared by the Board of Management, and concurred with the management report. The annual financial statements were thereby adopted. The Supervisory Board endorsed the Board of Management's proposal for the appropriation of net retained profits.

The following changes were made in fiscal year 2001 in the composition of the Supervisory Board:

Adolf Kracht, Dr. Klaus Rauscher and Prof. Dr. Jürgen Richter stepped down from the Supervisory Board on June 27, 2001. On the same date, Dr. Jürgen Großmann, Alfred N. Schindler and Jürgen Sengera joined the Supervisory Board. Benita Unger stepped down from the Supervisory Board on August 15, 2001, and Marion Deutsch joined as a new member on September 1, 2001. Armin Stoffleth, who retired from the Supervisory Board as of August 31, 2001, was replaced by Frank von Alten-Bockum, who became a member as of September 1, 2001. The Deputy Chairman of the Supervisory Board, Kurt van Haaren, left the Board at the end of the fiscal year on December 31, 2001. Rolf Büttner was elected the new Deputy Chairman.

The Supervisory Board would like to thank its former members, the management bodies, and all Deutsche Post employees for their commitment and successful efforts in fiscal year 2001 despite a difficult global economic environment.

Bonn, March 21, 2002

The Supervisory Board

Josef Hattig
Chairman

Glossary

Anthrax

A potentially deadly disease caused by the bacterium bacillus anthracis.

Basle II

The revised Basle Capital Accord that seeks to make the capital adequacy requirements for banks more risk-sensitive than the original 1988 Accord. It will also reflect recent developments on the financial markets and in risk management techniques.

Blue chip

Generally refers to shares of prominent companies with a high market capitalization.

Business-to-business (B-to-B)

The exchange of goods, services and information between companies.

Business-to-consumer (B-to-C)

The exchange of goods, services and information between companies and private customers.

Carrier sequence barcode sorters

Systems that automatically sort machine-readable letters.

Cash Group

An ATM sharing network linking the domestic ATM systems of Commerzbank, Deutsche Bank, Dresdner Bank, HypoVereinsbank and Postbank.

CEP market

The market for courier, express and parcel services.

Cross-selling

The sale of various products and services from different business segments of a company to a customer.

Customer Relationship Management

A single contact person serves as the interface with the customer and enables him/her access to the Group's products and services.

DAX

Deutscher Aktien Index: the prime German equity index, compiled by Deutsche Börse AG. It reflects the performance of the 30 leading German equities.

Deutsche Post World Net (DPWN)

Deutsche Post World Net is the name under which the Group appears in public, e.g. in advertising. Deutsche Post AG is the legal name of the Group's parent company whose stock has been listed on all German stock exchanges since November 20, 2000.

Direct banking
Banking transactions and services by phone and the Internet.

Direct brokerage
Online/direct securities brokerage business.

EBIT
Earnings before Interest and Taxes.

EBITA
Earnings before Interest, Taxes and (goodwill) Amortization.

E-business
Electronic business: business via the Internet.

Exclusive license
In accordance with the German Postal Act (Postgesetz), Deutsche Post AG has the exclusive license (to expire at the end of 2007) for the transportation of letters and addressed catalogs weighing less than 200g and costing up to €2.81. Exceptions include the transportation of letters with identical content weighing more than 50g and higher-value services providing special features.

Fourth party logistics (4PL)
A 4PL provider is an integrator who merges the resources and technologies of its own organization with those of other organizations, in order to develop and implement complete solutions along the entire logistics chain.

Free float
The number (or percentage) of shares that are not held by strategic investors and can thus be traded on the financial markets.

Gateway
Collection center for the transshipment and consolidation of international flows of goods in a certain direction.

German Postal Act (Postgesetz)
The purpose of the German Postal Act which has been effective since January 1, 1998 is to promote postal competition through regulation and ensure the nationwide provision of appropriate and sufficient postal services. The Postal Act includes regulations on licensing, price control and the universal service.

German Postal Service Transformation Act (Postumwandlungsgesetz)
Enacted in 1994, this law transformed the public-law companies of the Deutsche Bundespost into companies under private law, i.e. Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG.

Hybrid mail
Mail is received electronically as a file, printed and delivered as a letter.

IASs
International Accounting Standards issued by the International Accounting Standards Board.

International Monetary Fund (IMF)

The international organization that acts as lender to countries facing trade payments difficulties, among other things.

Issuing business

An omnibus term for transactions where a bank issues securities to procure funds for private or public borrowers.

IT

Information technology

Joint venture

A company that is formed and managed jointly by two or more parties.

Multi-channel bank

A bank that markets its products and services using several sales channels.

Nasdaq

National Association of Securities Dealers Automated Quotation: the prime US technology market.

One-stop shopping

The supply of all products and services from a single source.

Online banking

Banking services that are processed electronically and offered to customers via the Internet.

Online brokerage

Securities brokerage business in which trading is executed electronically via the Internet.

Open service outlet

Modern retail outlet with open service areas.

Outsourcing

The subcontracting of activities (production processes or services) that are not regarded as part of a company's core business.

Partial access to services

Under certain conditions, the German Postal Act requires dominant companies on the German postal market (currently Deutsche Post AG) to offer elements of their licensed delivery services to customers and competitors, in return for a fee.

REIMS II

An agreement reached in 1999 between 17 European countries on remuneration for the cost of cross-border mail delivery in the destination country.

Riester pension products

The new subsidized German supplementary pension products, named after German labor minister Walter Riester.

Roadshow

A corporation presentation to shareholders and potential investors, often at a financial center.

Stock option plan

An incentive system that allows employees to share directly in a company's performance. The beneficiaries are granted an option to buy shares at a predefined subscription price.

Supply Chain Management

The offering of complete logistics solutions tailored to the industry-specific needs of particular customers and covering the entire logistics chain.

Turnaround

The recovery of a financially underperforming company to the point where it can survive.

WTO

World Trade Organization.

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Group 5-Year Review

1997 – 2001		1997	1998	1999	2000	2001
Revenue and earnings						
Revenue						
MAIL	in €m	10,788	11,272	11,671	11,733	11,707
MAIL share	in %	75.3	74.3	49.1	34.5	33.6
EXPRESS	in €m	3,533	3,818	4,775	6,022	6,421
EXPRESS share	in %	24.7	25.2	20.1	17.7	18.4
LOGISTICS	in €m	0	0	4,450	8,289	9,153
LOGISTICS share	in %	0.0	0.0	18.7	24.3	26.2
FINANCIAL SERVICES	in €m	0	81	2,871	7,990	7,604
FINANCIAL SERVICES share	in %	0.0	0.5	12.1	23.5	21.8
Corporate divisions total	in €m	14,321	15,171	23,767	34,034	34,885
Other/consolidation	in €m	-189	-502	-1,404	-1,326	-1,506
Total	in €m	14,132	14,669	22,363	32,708	33,379
EBITDA	in €m	1,299	1,554	1,830	3,426	3,617
Profit from operating activities (EBITA)						
MAIL	in €m	599	944	1,009	2,004	1,960
MAIL share	in %	110.1	101.1	91.7	74.3	69.6
EXPRESS	in €m	-55	-7	60	76	176
EXPRESS share	in %	n/a	n/a	5.5	2.8	6.2
LOGISTICS	in €m	0	0	-27	113	159
LOGISTICS share	in %	0.0	0.0	n/a	4.2	5.7
FINANCIAL SERVICES	in €m	0	-4	58	505	522
FINANCIAL SERVICES share	in %	0.0	n/a	5.3	18.7	18.5
Corporate divisions total	in €m	544	933	1,100	2,698	2,817
Other/consolidation	in €m	15	-100	-179	-319	-264
Total	in €m	559	833	921	2,379	2,553
Return on sales[1]	in %	4.0	5.7	4.1	7.3	7.6
EBIT	in €m	556	827	851	2,235	2,382
Net profit for the period	in €m	751	925	1,029	1,527	1,593

n/a = not available.
[1] Total EBITA/revenue.

1997 – 2001		1997	1998	1999	2000	2001
Cash flow/investments/ depreciation and amortization						
Cash flow [2]	in €m	1,145	1,382	1,462	3,479	3,695
Investments	in €m	1,084	1,400	4,553	3,113	3,468
Depreciation and amortization	in €m	743	741	993	1,204	1,285
Asset and capital structure						
Noncurrent assets	in €m	9,907	9,485	9,791	11,081	12,304
Current assets	in €m	2,854	4,448	62,957	137,381	142,906
Deferred tax assets	in €m	1,029	1,187	2,268	1,818	1,491
Equity	in €m	994	1,765	2,564	4,001	5,353
Minority interest	in €m	226	229	56	79	75
Provisions	in €m	9,293	9,302	11,009	11,107	10,971
Liabilities [3]	in €m	3,265	3,792	5,913	9,723	8,770
Deferred items	in €m	12	32	0	0	0
Total assets	in €m	13,790	15,120	75,016	150,280	156,701
Employees/staff costs						
Total workforce (headcount including trainees)	as of Dec. 31	270,817	260,520	301,229	324,203	321,369
Workforce calculated as FTEs (including trainees)	as of Dec. 31	233,350	223,863	264,424	284,890	283,330
Workforce calculated as FTEs (excluding trainees)	as of Dec. 31	228,758	218,916	257,836	278,705	276,235
Average workforce		277,538	263,342	304,265	319,998	323,298
Staff costs	in €m	9,992	9,860	11,503	11,056	11,240
Key figures						
(Diluted) earnings per share [4]	in €	0.67	0.83	0.92	1.36	1.42
Cash flow [5] per share [4]	in €	1.03	1.24	1.30	3.13	3.32
Return on equity before taxes [6]	in %	133.8	63.1	35.9	62.1	46.0

[2] Cash flow I.
[3] Excluding liabilities from financial services.
[4] To enhance comparability, the calculation was based on the number of shares after the increase in share capital and the conversion to euros, as well as conversion to 1,112,800,000 no-par value shares (1997 – 1999: 42,800,000).
[5] Based on Cash flow I.
[6] Profit from ordinary activities before tax/average equity.

Financial Calendar

April 8, 2002	Financials press conference on fiscal 2001
April 8, 2002	Analyst conference on fiscal 2001
April 30, 2002	Analyst conference call on Q1
June 6, 2002	Annual General Meeting
June 7, 2002	Dividend payment
July 31, 2002	Press conference on H1
July 31, 2002	Analyst conference on H1
October 31, 2002	Analyst conference call on Q1-3

Subject to correction – changes may be made at short notice.

Deutsche Post AG
Headquarters
Investor Relations
53250 Bonn
Germany

For information on Deutsche Post stock
please e-mail ir@deutschepost.de

Investor Relations
Fax: +49 (0) 228 182-6664
E-mail: ir@deutschepost.de

Press Office
Fax: +49 (0) 228 182-9880
E-mail: pressestelle@deutschepost.de

Deutsche Post World Net online:
www.dpwn.de

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