Company Report 2002

Strategy +++ Stock +++ Group Management Report +++ Corporate Divisions

Solutions

tailored to our customers' needs

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

These days, logistics involves much more than just the transfer of goods. Globalization and internationalization – these are the challenges of the modern economic world. We enable our customers to successfully leverage the resulting opportunities by providing one-stop handling of all of their logistics transactions. The following pages are proof: Deutsche Post World Net's global distribution network links goods, information and financial flows and develops customer-specific …

… Solutions

Deutsche Post World Net 2002 – A Year of Solutions

-> change to Folder ...Achievements


DHL

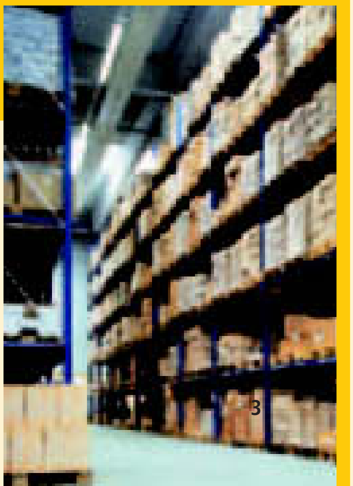
Our fashion arrives. Our customer mailings, too.

Here in "Bella Italia", we create fashion for young women around the world. Our designers' skirts, pants and accessories are sold in over 1,000 boutiques throughout Europe, America and Asia. We work only with high-quality materials, and we use only those colors and styles that we ourselves enjoy wearing. Anything less is simply not good enough.

The second key to success is personal contact with our customers. Twice a year, we send our new catalogues to their homes; we also send out written customer invitations – to our famous in-house exhibition, fashion shows and spa weekends. This direct marketing enables us to stay in constant touch with the women who love our fashion.

This wouldn't be possible without the mailing concept that Deutsche Post designed just for us. Customer addresses are permanently updated using a relocation database and responses are processed promptly, ensuring that we are always in close contact with our customers.

It's really quite an innovative service – just like our fashion. And most importantly: we hardly need to worry about anything else when it comes to logistics, since Deutsche Post also delivers our fashions to our boutiques. Which means we can concentrate on what we do best here in Italy: creating fashion to fall in love with.



Can an entrepreneur in Germany comment on 2002 without complaining? In my opinion, he has to!

One thing is for sure: we will all remember 2002 as a difficult year. Economic conditions in Germany, Europe and worldwide were unsatisfactory, the stock markets did not recover and fears of terrorist attacks and war persisted.

In this kind of situation, it is tempting to adopt a "wait and see" attitude and anxiously take cover until the storm has passed. But this is not the sort of behavior that entrepreneurs can afford to indulge in. Our job is to rise to challenges and transform them into successes so that we can identify prospects for the future.

Therefore, on the following pages, Deutsche Post World Net will be reporting to you on the solutions that we are developing for our customers and the achievements that we realized in the year under review.

What challenges did we face?

Conditions on the international stock markets remained poor in 2002. A glance at our share price development shows that Deutsche Post World Net, like other companies, was also impacted by this. Nevertheless, our shares managed to clearly outperform the DAX for most of the period until mid-June 2002.

However, the summer dealt us two hard financial blows with the European Commission's state aid ruling and the decision to lower German letter rates as of January 1, 2003. These events led to a significant drop in our share price that, unfortunately, could not be recouped by the end of the year.

I am nonetheless firmly convinced that your confidence in Deutsche Post stock will prove worthwhile and ultimately pay off. After all, you are the co-owner of a Group that demonstrated once again in 2002 that it can achieve sustained development and success on the basis of solid and self-sufficient financial and corporate structures.

What did we achieve?

2002 saw Deutsche Post World Net leverage its core strengths, persistently adhere to its strategic path and attain new milestones. We pursued a solid management strategy and met our expectations for the fiscal year as a whole. I would like to give you two examples of this:

1. We received valuations from the leading rating agencies that rank in the upper third in global comparison with other groups of our size. These ratings were reconfirmed after the European Commission issued its rulings. The rating agencies provide an independent attestation of what we have been promising you, our shareholders, over the past few years: our Group is solidly managed and financed and stands on a sound foundation. I intend to ensure that this does not change in the future.

2. After the European Union approved our acquisition of a majority share in DHL in October, we completely took over the global market leader in the cross-border express business at the end of the year. We now plan to make this valuable brand the center of our global express and logistics business. I believe that the acquisition of DHL will enable us to continue to globally expand the Group's position and the success of our services.

So what is our outlook for the future?

With the takeover of DHL, we laid the foundation for our Group-wide value creation program, STAR, which we also began in 2002.

The STAR program defines the Group's corporate strategy for the upcoming years. I would like to take this opportunity to confirm the following point once again: we aim to generate a profit from operating activities of €3.1 billion in 2005. We have intentionally set ourselves an ambitious goal. It is up to us to reach it, and we will!

My strong conviction is based on the fact that I have been guiding this Company on its path towards becoming a global leader for more than ten years now. Although we suffered some setbacks during this time, we mastered the most important challenges and thus, on the whole, produced a great success story. 2002 was the twelfth year in a row in which we increased our revenue, further reduced our debt and improved balance sheet ratios. How many companies can say the same right now?

I see more success on our horizon in the coming years: we will be an internationally strong company for our customers, an economically sound Group that has the starting position and employees necessary to become the global leader in the future sector of logistics.

This is both the Company's and my own grand vision for the future.

Ladies and gentlemen, it is your confidence in Deutsche Post World Net that allows us to systematically continue on the path we have set out on. I would like to express my most sincere thanks for this in the name of the Group and its employees.

I am pleased to be able to present you with a proposal for a dividend of €445 million and a corresponding dividend per share of €0.40 for the past fiscal year.

We are building on a solid foundation, and we still have many plans to implement. I very much hope that you will continue to accompany us on our journey in the future.

Sincerely,

Dr. Klaus Zumwinkel
Chairman of the Board of Management

Members of the Board of Management

Dr. Klaus Zumwinkel

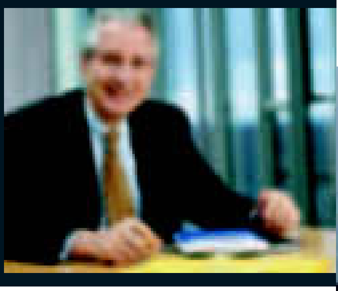
Chairman of the Board of Management

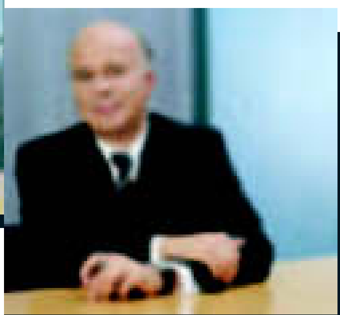
After graduating from business school and earning a doctorate in business administration, Dr. Klaus Zumwinkel (born 1943) began his career as a management consultant at McKinsey in 1974. He remained with the company for ten years, during which time he became a senior partner and was appointed to the global management team. In 1985, he became Chairman of the Board of Management of the Quelle group. Dr. Zumwinkel was appointed Chairman of the Boards of Management of Deutsche Bundespost POSTDIENST and of Deutsche Post AG in 1990 and 1995, respectively.

Dr. Peter E. Kruse

Euro Express

Dr. Peter E. Kruse (born 1950) earned a doctorate in engineering and, before joining Deutsche Post AG, gained experience in the field of logistics as a managing director at Bertelsmann Distribution and as a member of Kühne & Nagel International AG's Management Board. He became a member of Deutsche Post AG's Board of Management in 2001.





Dr. Hans-Dieter Petram

MAIL

Dr. Hans-Dieter Petram (born 1943) gained a doctorate in business administration before embarking on his professional career at Deutsche Anlagen Leasing. He later moved to Deutsche Immobilien Leasing and then joined Gustav Schickedanz KG as director of the real estate division in 1986. Dr. Hans-Dieter Petram has been a member of the Boards of Management of Deutsche Bundes-post POSTDIENST and Deutsche Post AG since 1990 and 1995, respectively.

Uwe R. Dörken

Worldwide Express

A trained bank officer and business school graduate, Uwe R. Dörken (born 1959) left McKinsey in 1991 to join the Group. He became a member of Deutsche Post AG's Board of Management in 1999 and was appointed chairman and CEO of DHL in 2001.

Prof. Wulf von Schimmelmann

FINANCIAL SERVICES

After earning a doctorate in economics and holding various positions at McKinsey, Prof. Wulf von Schimmelmann (born 1947) was appointed to Landesgirokasse Stuttgart's Board of Management in 1978. He then served as a member of the Board of Management of DG Bank, as an associate at BHF-Bank and as managing partner at the investment company Regius. In 1999, he became Chairman of the Board of Management of Deutsche Postbank AG as well as a member of the Group's Board of Management.

Dr. Edgar Ernst

Finance

A mathematics graduate with a doctorate in business administration, Dr. Edgar Ernst (born 1952) worked as a management consultant at McKinsey and as Director of Corporate Development at Gustav Schickedanz KG before joining Deutsche Bundespost POSTDIENST in 1990. He was appointed to Deutsche Bundespost POSTDIENST's Board of Management in 1992 and has been a member of Deutsche Post AG's Board of Management since 1995.

Walter Scheurle

Personnel

A long-time member of the Central Executive Committee of the Deutsche Postgewerkschaft (German Postal Workers' Union), Walter Scheurle (born 1952) began his career in 1967 with a traineeship at Deutsche Bundespost. Starting in 1979, he has worked full-time for the Deutsche Postgewerkschaft. He has been a member of Deutsche Post AG's Board of Management since 2000.

Dr. Frank Appel

Corporate Services

Dr. Frank Appel (born 1961) is a chemist who earned his doctorate in neurobiology before beginning his career at McKinsey in 1993, where he became partner and a member of the German management team in 1999. In 2000, he joined Deutsche Post AG as Managing Director of Corporate Development. Dr. Appel has been a member of the Group's Board of Management since November 1, 2002.

Members of the Supervisory Board

Shareholders’ representatives

Josef Hattig (Chair)
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
Managing Partner, Georgsmarienhütte Holding GmbH

Prof. Ralf Krüger
Management consultant, Professor at the University of Applied Sciences Wiesbaden

Dr. Manfred Lennings
Management consultant

Dr. Manfred Overhaus
State Secretary, Federal Ministry of Finance

Alfred N. Schindler
Chairman of the Supervisory Board and CEO, Schindler Holding AG

Jürgen Sengera
Chairman of the Board of Management, Westdeutsche Landesbank AG, Düsseldorf / Münster

Ulrike Staake
Managing Director, Deutsche Bank AG in Hamburg

Employees' representatives

Rolf Büttner (Deputy Chair)
Member of the Federal Executive Board of ver.di

Frank von Alten-Bockum
Managing Director, Deutsche Post AG

Marion Deutsch
Deputy Chair of Works Council, Deutsche Post AG,
Mail Branch, Saarbrücken

Henry Hillmann
Member of Deutsche Post AG's Central Works Council

Dirk Marx (from August 16, 2002)
Deputy Chair of Deutsche Post AG's Central Works Council

Petra Pfisterer
Deputy Chair of Works Council, Deutsche Post AG,
Mail Branch, Halle

Franz Schierer
Deputy ver.di Federal State District Head,
Federal State District of Baden-Württemberg

Siegfried Schulze (until July 31, 2002)
Former Deputy Chair of Deutsche Post AG's Central Works Council

Martin Seiler (from February 8, 2002 until December 31, 2002)
Federal Executive Secretary, Postal Services, ver.di (until December 31, 2002)

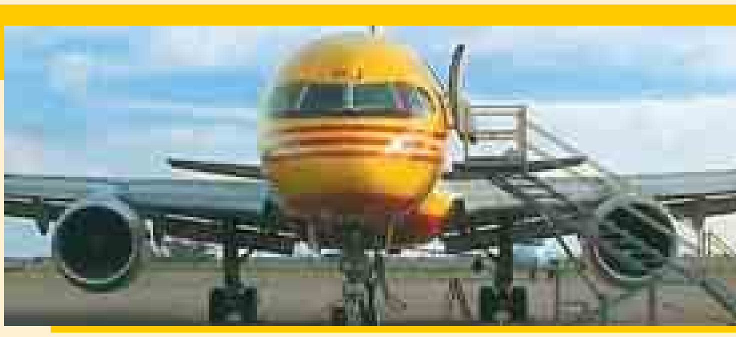
Stefanie Weckesser
Chair of Works Council, Deutsche Post AG,
Express Branch, Augsburg

Margrit Wendt
Chair of Deutsche Post AG's Central Works Council

Far from home. And yet so near.

The world you know is far away. The people, too. And sometimes, even in this solitary outpost, you need a very important document.

It's certainly hot here. And dry. Working three, four months for a global environmental protection organization in one of the most remote regions of Africa can make you feel like you're in another world.



Without the new passport that DHL just delivered from London, tomorrow's expedition to the country next-door would have had to happen without me. It's nice to know that you can depend on the people at DHL: they provide door-to-door, worldwide delivery of every urgent consignment as fast as possible – including to the African savanna, of course.

A logistical service that is actually price-less! DHL helped us out of another jam during my last project in the Amazon: the replacement lens for our high-powered microscope arrived from Germany in just a few days.

Corporate Strategy

We combine the best of all solutions

We have already passed several major milestones on our way to becoming the leading global logistics provider: targeted acquisitions have enabled us to expand the Group’s service portfolio and created a global platform for our offering. Our customers benefit from our logistics expertise – worldwide. As part of our long-term corporate strategy, we intend to further enhance our enterprise value with our STAR program.

Systematic progress towards becoming the leading global provider of express and logistics services

From 1990 to 2002, our Company laid a solid foundation for the further expansion of what, today, is already an excellent market position. Within the space of twelve years, the loss-making national postal service was transformed into a profitable, global logistics service provider. We more than quadrupled our revenue during this period; measured by our earnings in 2001, Deutsche Post ranks eighth on the German share index DAX. The Group has a low level of debt, and targeted international acquisitions now allow us to offer our customers a global platform of express and logistics services that can accommodate all of their weight and transit-time requirements.

The complete takeover of DHL at the end of fiscal year 2002 marked a milestone in our corporate strategy. Close cooperation between all of our Corporate Divisions means we will be able to use our business platform even more efficiently from now on. We are fully integrating the Group’s express and logistics activities under the umbrella of the global DHL brand: both operationally, by integrating networks that were operated separately until now, and organizationally, by restructuring these areas. This means we have fulfilled the most important condition for becoming the leading global provider of express and logistics services. Globalization, the worldwide elimination of trade restrictions and increasing Internet use offer golden opportunities for international logistics providers.

STAR – the Group-wide program for value creation and integration

With the STAR program, we will leverage our excellent pole position on the international markets to transform Deutsche Post World Net into the number-one provider. In the course of this initiative, “value creation” and “integration” will become the maxims for all functions, all organizational units, all locations and all employees over the next few years.

The core component of the program is the integration of Danzas, Deutsche Post Euro Express and DHL. Our employees have already gained experience in this area: we successfully integrated ASG and Nedlloyd into Danzas between 1999 and 2001 and created the ground-based, pan-European Euro Express network. This expertise guarantees that the integration process will function smoothly for us as well as for our customers.

STAR's key goals

- **Create new, value-oriented ways of thinking and acting.**
- **Eliminate valuation discount compared with competitors on the capital market.**
- **Increase the satisfaction of our internal and external customers.**
- **Mobilize our employees around the world to achieve our collective, global goal.**

Creating value-oriented thinking – Group-wide

We have set up over a hundred divisional and cross-divisional projects that are designed to implement our planned value creation initiatives and boost earnings in the period up to 2005. Our goal is to increase the Group's earnings to €3.1 billion in 2005. The identification of our entire management team with the STAR program ensures its success.

Demonstrating our earnings potential to the capital market

Deutsche Post stock is currently trading at a valuation discount compared to our competitors' shares. We intend to change this with STAR by increasing the enterprise value and hence the share value for our shareholders. We aim to generate more than half of the planned increase in earnings by integrating the EXPRESS and LOGISTICS Corporate Divisions under the umbrella of DHL. In order to ensure consistent and transparent financial reports, we will continue to report on the familiar MAIL, EXPRESS, LOGISTICS and FINANCIAL SERVICES segments in accordance with IASs. As of Q1/2003, one change was made to the Group's reporting structure: the Eurocargo Business Unit was transferred from the LOGISTICS Corporate Division to the EXPRESS segment. Both reporting and management responsibility for the unit changed as a result.

Satisfied customers are the prerequisite for our growth

Our value creation program has a clear customer focus. We already offer our customers a single-source, end-to-end range of mail, express, logistics and financial services. In order to drive forward this one-stop shopping, we have developed a comprehensive package of measures that we will implement within the framework of STAR:

1. DHL as an umbrella brand for express and logistics services

In the future, Deutsche Post World Net will present its express and logistics activities under a single, international brand. We chose the well-established DHL brand because it stands for global presence, speed and dependability. This familiar and trusted brand name will aid us as we continue to develop globalized markets.

2. Joint management of the EXPRESS and LOGISTICS Corporate Divisions

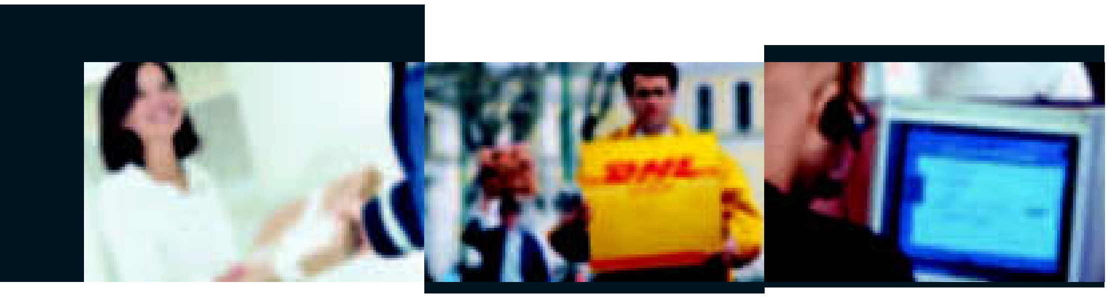
The administrative centers of Deutsche Post Euro Express, Danzas and DHL will be merged at DHL's Brussels location. This will result in a streamlined structure and more efficient organizational processes. In addition, we plan to integrate formerly independent central functions in order to realize synergies. A Global Coordination Center will reduce costs and increase efficiency, particularly with respect to central functions such as finances, information technology and communication.

3. Harmonized products and sales structures

In order to make our service offering more transparent to customers, we will streamline and harmonize our product portfolio under DHL. This will also enable us to optimize processes and cut costs significantly. In the future, DHL's global offering will be bundled in four brand areas: DHL Express, DHL Freight, DHL Danzas Air and Ocean and DHL Solutions. In addition, customers will be able to take advantage of a common sales structure worldwide. Consolidated key account management will guarantee a single point of contact for customers – what we like to call "one face to the customer".

4. Integrated network management

Until now, the European networks belonging to Deutsche Post Euro Express, Danzas and DHL have been operated independently. Their management will be coordinated in the future, first within individual countries and then throughout Europe. Our goal is to develop an integrated European ground- and air-based distribution network, which will significantly improve pick-up and delivery processes. As we integrate these networks, we will benefit from the experience that Danzas and Deutsche Post Euro Express have accumulated over the past few years when successfully integrating the networks belonging to ASG, Nedlloyd and other transport companies into the Group.



5. Group-wide process optimization

A number of projects are focused on the Group’s central functions. For example, Group-wide purchasing will be reorganized as part of STAR: we will bundle our global purchasing power, optimize process organization and establish binding purchasing standards Group-wide. These measures will contribute to the planned increase in earnings.

6. Additional increases in income in the other Corporate Divisions

In the MAIL Corporate Division, we will reduce the frequency and capacities of our overnight airmail network. Letters will no longer be transported by air in certain regions; ground transport will be used instead, resulting in substantial cost savings but no noticeable delays for the customer. Postbank’s logistics financing will benefit from the integration of our express and logistics activities and is expected to become a strong mainstay in the Corporate Banking segment of the FINANCIAL SERVICES Corporate Division in the future. We have developed a two-pronged sales concept in order to reach out to our private customers on an even more individual basis in the future: on the one hand, we will continue to pursue a modern, multi-channel banking approach with simple, cost-effective products. On the other hand, we are supplementing this with the new Postbank Vermögensberatung AG, a personalized financial and investment consultancy for high net worth individuals. This will enable Postbank to expand its product and service offering and realize additional potential.

Transparent, credible communication mobilizes employees

A comprehensive value creation program like STAR can only be successfully planned and implemented if management and employees are involved on a broad level and are committed in equal measure to its success.

For this reason, 150 of the Group’s executives conducted management workshops in 2002 that covered the program’s core themes. In particular, they discussed the integration of the business platforms of Deutsche Post Euro Express, Danzas and DHL.

STAR will only be successful if we have the trust of the relevant internal and external target groups. We know that we can only gain this trust if we openly communicate Group developments. Credibility and transparency are thus key success factors for our program. We will regularly inform our employees, shareholders, customers and suppliers about the development of the projects and the value enhancement achieved as a result. To facilitate this, our executives will assume crucial roles as multipliers.

Our aim is to deliver everything, everywhere, at any time, with the same high quality for our customers. In the future, this service will be in demand more than ever before, and we are well prepared. With STAR, we will continue to optimize our processes and services so that we can achieve a long-term increase in the value of our Company.

Value creation with the Group-wide STAR program

The STAR program includes the entire Group:

Corporate Divisions	Functions	Brands	Administrative centers
MAIL	Marketing and sales	Euro Express	Bonn
EXPRESS	Customer service	DHL	Brussels
LOGISTICS	Operations and production	Danzas	Basel
FINANCIAL SERVICES	Transport	Deutsche Post	
	Purchasing	Postbank	
	IT		
	Accounting		

Increase in consolidated profit to €3.1 billion by end of 2005

Deutsche Post Stock and Bonds

A year under the sign of the bear

Deutsche Post stock managed to outperform the market during most of H1/2002 despite the extremely harsh market environment. Although difficult conditions set in mid-year due to external factors, our share price nevertheless outperformed the DAX 30 during the year as a whole.

After receiving good initial valuations from the rating agencies, we successfully entered the debt capital markets in the autumn with our first bond.

Deutsche Post stock data

		2001	2002	Change in %
Year-end closing price	in €	14.99	10.00	-33.3
High	in €	24.78	17.48	-29.5
Low	in €	11.80	7.62	-35.4
Price/earnings		10.6	17.0	
Price/cash flow [1]		4.5	3.9	
Number of shares	shares	1,112,800,000	1,112,800,000	
Market capitalization	in €bn	16.7	11.1	-33.3
Earnings per share	in €	1.42	0.59	-58.5
Earnings per share (adjusted) [2]	in €	1.42	1.41	-0.7
Cash flow per share [1]	in €	2.82	2.56	-9.2
Equity	in €m	5,353	5,095	-4.8
Return on equity before taxes [3]	in %	45.9	35.5	
Dividend	in €m	412	445 [4]	8
Dividend per share	in €	0.37	0.40 [4]	8
Return on dividend [5]	in %	2.5	4.0	

1) Cash flow I
2) Adjusted for repayment of €907 million (see explanation on page 19, last paragraph)
3) Profit from ordinary activities less extraordinary expense/average equity
4) The Board of Management intends to propose this dividend to the Annual General Meeting
5) Based on year-end closing price

2002 was another disappointing year on the international stock markets. The recovery on the stock exchanges in the first quarter quickly proved to be little more than a flash in the pan. Recessive tendencies in the global economy, accounting scandals in the US and fears of a potential war against Iraq caused increasing uncertainty among investors in H2/2002. As a result, the major share indices hit a series of new multi-year lows throughout the year: in the period between January 1 and December 31, 2002, the DAX share index plunged 43.9% while the Euro STOXX 50 fell 37.3%. The Dow Jones Industrial Average also dropped 17.7% in the period under review.

Despite the worsening economic outlook, key interest rates in the US remained unchanged until October 6, 2002. On this date, the Federal Reserve Bank cut interest rates by 50 base points to 1.25%, the lowest level in 40 years. In contrast, the European Central Bank initially held the key interest rate stable until December 5 in order to ensure sufficient central bank money for the banking industry. In the end, however, the ECB also cut rates by 50 base points to 2.75%.

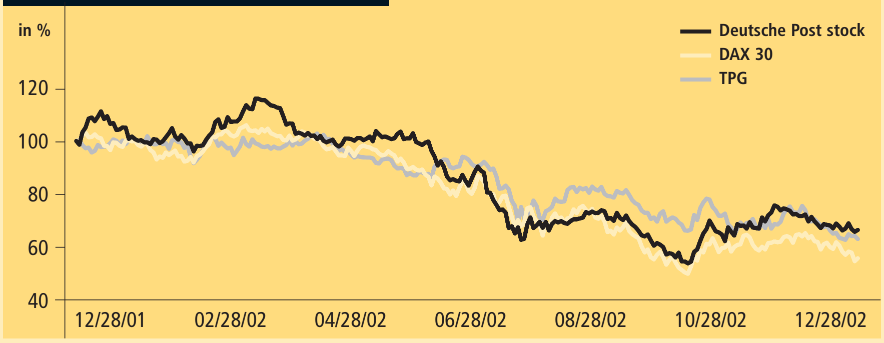
External factors interrupt trend towards outperformance

Deutsche Post stock performed broadly in line with the overall market in the year under review. Our share price proved particularly resistant in the first half of the year, getting off to a strong start and reaching a 52-week high of €17.48 on March 25, 2002. For the most part, our shares were able to outperform the DAX until mid-June.

Our share price came under additional pressure due to two negative external events in the summer: on July 10, 2002, the Regulierungsbehörde für Telekommunikation und Post (RegTP – Regulatory Authority for Telecommunications and Posts) announced its intended decision to decrease letter rates. The resulting drops in the Group's revenue and earnings will total around €300 million a year between 2003 and 2007 for a cumulative sum of €1.5 billion. Investors were quick to react to this news: Deutsche Post stock lost approximately 10% of its value in the course of a single day.

We suffered a second setback with the European Commission's state aid ruling on July 19. According to this ruling, Deutsche Post AG must repay the Federal Republic of Germany €907 million (including interest) in allegedly unjustified state aid. The announcement of this ruling led to yet another drop in our share price that could not be recouped in the period that followed. An upward trend only emerged with the announcement of the STAR program on October 31, 2002.

Deutsche Post share price development



For additional information on Deutsche Post stock and bonds, please see our Web page at http://investorrelations.dpwn.de

On the last day of trading in 2002, Deutsche Post stock closed at €10.00, which corresponded to a decrease of 33.3% since the beginning of the year. The shares of our Dutch competitor, TPG, slightly underperformed Deutsche Post stock during the year as a whole.

Stable shareholder structure

Deutsche Post AG's share capital totals €1,112,800,000 and is composed of 1,112,800,000 no-par value registered shares.

As in the previous year, around one-third of the shares in free float are held by natural persons, while two-thirds are owned by legal entities and institutional investors based primarily in the UK, Germany and the US.

November 30, 2002 marked the expiration of the lock-up period for those private investors that subscribed to shares between October 30 and November 10, 2000 and were thus considered to be advance subscribers within the scope of our IPO; these investors are now entitled to bonus shares from the shareholdings of Kreditanstalt für Wiederaufbau (KfW) at a ratio of 1:15. The issuance of these bonus shares resulted in a 0.5% increase in the free float to 31.7% and a corresponding decrease in the proportion held by KfW to 18.3%.

Financial strength confirmed

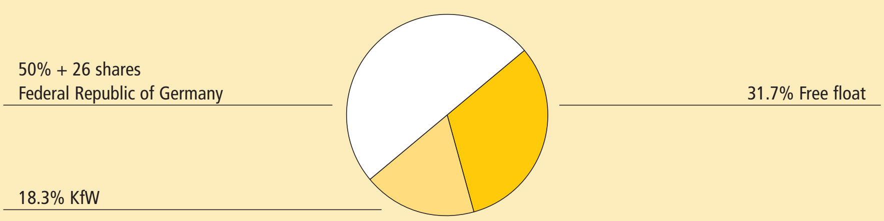
The international rating agencies Moody's, Standard & Poor's and Fitch evaluated Deutsche Post World Net's creditworthiness for the first time ever at the beginning of 2002. They issued above-average ratings, as shown in the following overview:

Deutsche Post World Net ratings

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Long-term	Aa3	A+	AA-
Short-term	P-1	A-1	F1+
Outlook	Stable	Stable	Stable

The rating analysts were particularly impressed with the Group's solid financial structure and strong cash flow. All three agencies issued stable outlook ratings at the beginning of May and reconfirmed them in mid-2002 following the decision to lower letter rates and the ruling in the state aid proceedings. This will allow us to raise debt capital at attractive terms on the international capital markets.

Deutsche Post AG's shareholder structure as of December 31, 2002



Successful bond issue

As a result of our roadshow in eight European financial centers, our bond issue was more than five times oversubscribed. We also benefited from very attractive interest rates at the time of the issue. In order to accommodate the high level of interest among German and international investors, the originally planned total volume of €1 billion was increased to €1.5 billion and divided into two tranches of €750 million each. The tranches will run for different terms and carry different coupons, as shown in the following overview:

Bond data

		5-year tranche	10-year tranche
Nominal amount	in €m	750	750
Nominal coupon	in %	4.25	5.125
Due date		October 4, 2007	October 4, 2012
Wertpapierkennnummer (SCN)		927 903	927 904
First day of trading *		October 10, 2002	October 10, 2002

* 'Official Trading', Frankfurt am Main

Further expansion of capital market communication

Particularly during difficult times on the stock exchanges, shareholders and lenders make increased demands on the companies they invest in. Transparency is crucial to developing trust, which is why we further expanded our activities in the area of capital market communication in 2002. We provided information on significant events at Deutsche Post World Net in numerous discussions and conference calls and at roadshows, press conferences and analyst conferences.

The results of an analysis performed by the magazine "Capital" in conjunction with the Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA – German Society of Investment Analysis and Asset Management) showed that we are on the right track. Fund managers and analysts evaluated the investor relations work of 238 European companies according to the criteria of credibility, quality and timeliness of reporting. Deutsche Post World Net placed fiftieth overall. In the future, we will continue to do everything in our power to report on our Company in an open and timely manner, and to ensure that our work lives up to the justifiably high expectations of investors and analysts.

The investor relations events scheduled for fiscal year 2003 can be found on the back cover of the Financial Report.

Exchange symbols of Deutsche Post stock

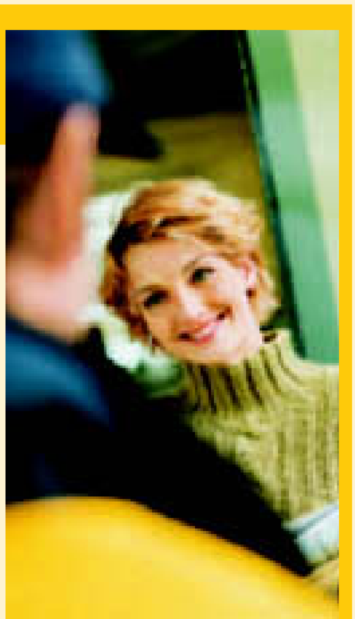
Wertpapierkennnummer (SCN)	555 200
Reuters ticker symbol	DPWGn
Bloomberg ticker symbol	DPW
ISIN	DE 000 555 2004

For a young life, 99 percent is not enough.

Our customers are among the world's youngest citizens. For these newest additions to the human race, nothing but the best will do. In order to ensure that our "Starter Kits" containing various types of puréed food and tea are delivered directly to their small recipients with the highest quality, we – as one of the leading manufacturers of baby food – have teamed up with the experts: the logistics specialists at Deutsche Post.

These specialists even work in our production facilities, carrying out such tasks as the packaging and distribution of our sensitive goods. Now that's an integrated system solution!

This solution covers the entire logistics distribution chain and is specifically tailored to meet our high storage and transport demands. Because we insist that the utmost care be taken in the manufacture, packaging and delivery of food for babies and children.



We also depend on Deutsche Post to execute the mailing campaigns we use to inform young mothers in Germany about our products, as well as to deliver our products to the retail sector. All in all, a 100% worry-free package – for us as well as the health of our children.

Group Management Report

We focus on sustained value creation

In fiscal year 2002, we successfully continued on our path towards becoming the world's largest integrated logistics service provider, in addition to repeating our track record of strong earnings. With our Group-wide value creation program, STAR, we intend to significantly increase Deutsche Post World Net's earnings power over the next three years and thus lay the foundation for future growth.

Revenue and earnings

Fiscal year 2002	Revenue		Profit from operating activities (EBITA)	
	in €m	in %	in €m	in %
MAIL	11,666	27.7	1,658	60.4
EXPRESS	12,489	29.6	243	8.8
LOGISTICS	9,152	21.7	224	8.2
FINANCIAL SERVICES	8,872	21.0	621	22.6
Total for Corporate Divisions	42,179	100.0	2,746	100.0
Other/Consolidation	-2,924	-6.9	-325	-11.8
Group	**39,255**	**93.1**	**2,421**	**88.2**

Overview

Progress based on core strengths outweighs adverse external decisions

In fiscal year 2002, Deutsche Post World Net leveraged its core strengths and thus made significant progress towards becoming the No. 1 logistics service provider worldwide. The complete takeover of DHL International Limited (DHL) marked a central milestone in our corporate strategy. Thanks to this acquisition, we can now reorganize our structures from the ground up.

We are doing this reorganization within the framework of our value creation program, STAR, which we announced at the end of October 2002. Under STAR, we are identifying the Group's value reserves and developing concrete measures to increase them. Our main focus is on integrating our global networks. To this end, we will merge all European activities in the EXPRESS and LOGISTICS Corporate Divisions under the umbrella of the DHL brand in 2003. The goal is to combine the previously independent networks of DHL, Deutsche Post Euro Express and Danzas (overland transport and express) to create an efficient, high-performance transport and delivery system.

In the MAIL segment, we are systematically positioning ourselves to take advantage of the increasing deregulation of postal services in Europe: we expanded our mail activities in the Netherlands and were awarded a license for the British mail market in the year under review.

Postbank reinforced its strong position in the German retail banking sector and, at the same time, expanded its service offering for corporate customers.

Three external decisions adversely affected our operating environment in the year under review:

Firstly, the European Commission ruled in the state aid proceedings that Deutsche Post must repay the Federal Republic of Germany state aid of €572 million plus interest (total amount: €907 million). Although we immediately filed an appeal against this ruling, we were required to repay this amount at the beginning of 2003.

Secondly, the Regulierungsbehörde für Telekommunikation und Post (RegTP – Regulatory Authority for Telecommunications and Posts) established the general conditions for postal rates for mail products requiring approval. As a result, we may be obliged to implement annual price decreases or eligible to impose price increases in the period January 1, 2003 to December 31, 2007, depending on the rate of inflation. The mandatory price reductions that took effect for the most important mail products as of January 1, 2003 will depress our revenue and earnings by around €300 million a year throughout this period.

Finally, the Bundestag and the Bundesrat (the lower and upper houses of the Federal German parliament) approved an amendment to the Postgesetz (German Postal Act). This will reduce the weight and price limits of the statutory exclusive license to 100g and three times the standard rate, respectively, in an initial step as of 2003. At the same time, competitors were granted access to the market for outgoing cross-border mail services. In a second step, the weight limit will be lowered to 50g as of 2006. Our exclusive license will expire on December 31, 2007.

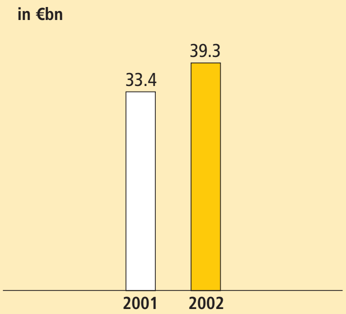
As part of STAR, we have plans to implement measures to close the earnings gaps resulting from these price cuts. As a whole, STAR demonstrates the Group's strong commitment to value orientation. We have set ourselves the goal of increasing our profit from operating activities (EBITA) to €3.1 billion by the end of 2005.

In fiscal year 2002, we increased consolidated revenue by 17.6% to €39,255 million and the proportion of revenue generated internationally from 32.9% to 41.2%. This growth is primarily due to the first-time consolidation of DHL as of January 1, 2002. At €2,421 million, our profit from operating activities (EBITA) decreased 4.9% year-on-year.

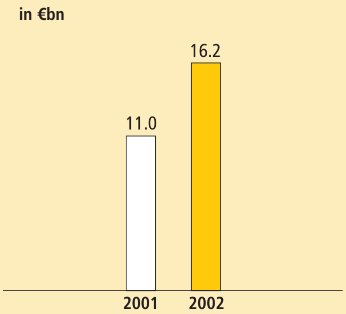
Consolidated net profit declined from €1,577 million to €659 million. This reflects the European Commission's state aid ruling, which necessitated the recognition of an extraordinary expense in the income statement and a liability under other liabilities in the balance sheet. Earnings per share fell correspondingly from €1.42 in 2001 to €0.59 in 2002; adjusted for the extraordinary expense, earnings per share totaled €1.41 in 2002.

Based on the Group's operational earnings power, we feel we are in a position to continue to pursue our sound dividend policy and to distribute a dividend of €445 million to our shareholders, which corresponds to a dividend per share of €0.40.

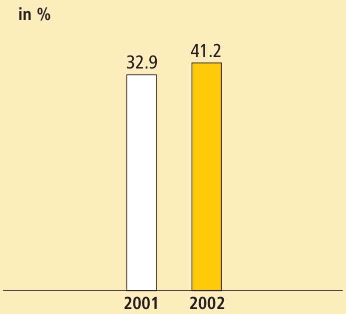
External revenues



International revenues



International revenues



Economic Environment

Economy recovers only slowly

The global economy experienced another disappointing year in 2002. In the **US**, for example, gross domestic product (GDP) rose only 2.4%. Although interest rates were at historically low levels, growing signs of recovery at the beginning of the year were quashed in the fall by the Iraq crisis and the accompanying sharp rises in oil prices. After a prolonged recession, the Japanese economy stabilized at only a low level in the year under review. **Japan**'s GDP fell by an average of 0.3% over the course of the year. In light of this global economic environment as well as its own structural problems, **Europe** also recorded weak economic development. GDP in the euro zone rose by a mere 0.8%.

In this scenario, hopes for an economic upturn in **Germany** also failed to materialize. Although the German economy picked up slightly in 2002 after a difficult phase in the second half of 2001, GDP grew by a mere 0.2%. Increasing unemployment and a decline in real incomes depressed consumer spending. In addition, plunging share prices on the international stock markets resulted in asset losses, putting a further damper on consumer spending and hampering companies' attempts to secure external financing. As a result, already wary market participants became even more reluctant to invest. Even exports, which have often served as the motor of the German economy in the past, were unable to offset these trends significantly, with growth of 2.9%.

Growing opportunities for global providers

The international logistics market was again characterized by increasing globalization in 2002. This in turn saw two trends emerging on the customer side that are gaining momentum as a result of the need for consistent cost management. On the one hand, the search for cost-effective procurement markets is gaining in global importance. This "global sourcing" requires a global logistics network. On the other hand, companies are increasingly outsourcing corporate functions that lie outside their core competency and can only be undertaken internally at great expense. As a result, companies are increasingly willing to outsource logistics services and are demanding fault-free, on-time logistics activities along the entire value added chain. Furthermore, a growing number of customers want these services as part of one-stop shopping solutions. A modern logistics company must therefore be able to meet virtually all of its customers' logistics needs, as well as being globally focused.

Global sourcing: strategic procurement concept with an international focus. A cross-border search is conducted for suitable suppliers that meet specific quality, time and price requirements.

This demand for the most comprehensive service provision possible set in motion a concentration process on the supply side that picked up additional speed in the year under review. Deutsche Post World Net has secured an excellent starting position by making targeted acquisitions over the past few years. This will allow the Group to further expand its position as one of the world's leading logistics service providers.

Declining advertising spending impacts mail market

The strained economic environment in the MAIL Corporate Division persisted in the year under review. Overall, business volume on the **mail communication** market remained at the prior-year level of €7.8 billion in 2002. We managed to maintain our strong position with a revenue-based market share of 94.3% (previous year: 95.0%).

The overall advertising market also continued to feel the pinch. However, revenue in the narrower definition of the direct marketing segment (which includes advertising mail, telemarketing and e-marketing) remained at the prior-year level of €13.3 billion. In turn, we achieved a market share of 15.7% in this segment.

The downturn on the market for **press product distribution** continued as a result of the weak economy. The forecast market volume fell to 20.1 billion items after around 21 billion in the previous year. At 11.0%, our volume market share remained approximately at the prior-year level.

CEP markets remain highly competitive

On the whole, the markets of the EXPRESS Corporate Division have been highly competitive in the past few years. In the wake of this development, consolidation continued on the European **courier, express and parcel services (CEP) markets** in the year under review. We maintained our strong position in these markets in 2002; this followed on our success in 2001, when we were the leader on the European market (volume: €34 billion) with a share of around 16%. The most important CEP market is Germany; we remained the largest single provider on this market in 2001 with a share of 23%. Compared with previous years, both Europe and Germany saw a slowing of the forecast market growth in 2002.

We expanded our position as one of the leading global providers on the market for **cross-border mail services** with a share of 14% in 2001. In the year under review, this market suffered from the ongoing stagnation of the global economy and high transport costs. The rise in costs was due to increased fuel prices and higher security premiums as a result of the terrorist attacks on September 11, 2001.

The market for **air-based global courier and express business** recorded below-average growth in the US and Europe in the year under review. By contrast, the Asian market experienced above-average growth, as did the European-Asian and American-Asian routes. Overall market growth in the year under review was in the single-digit range.

Logistics markets offer additional potential

Opposing trends were apparent within the relevant segments of the logistics markets: for example, while the market for European contract logistics suffered from the weak demand in the consumer goods sector, it profited from the trend towards the out-sourcing of logistics services.

On the international market for **air freight**, demand for volume fell in the first half of the year under review. This led to overcapacities, which in turn resulted in falling freight prices. Our strong position as the market leader for air freight meant that we benefited directly from the recovery in transportation volumes in the second half of the year, allowing us to make up the initial year-on-year shortfall.

The market for **ocean freight** developed more positively in the year under review than in 2001: shifts in customer needs and lower prices compared with air freight stimulated demand. We maintained our strong position in this market in 2002.

The market for European **overland transport** also suffered from weak demand in the consumer goods sector – particularly in the key German market – and increased pressure on margins.

Banking sector undergoes consolidation

The weak global economy has triggered a structural transformation in the international banking sector that is marked by an increased focus on core business as well as alliances, mergers and takeovers of competitors. New technology and growing investment pressure are the driving forces behind this adjustment to the increasingly demanding economic and regulatory conditions (e.g. Basel II). For example, financial service providers are implementing e-commerce and multi-channel approaches in order to expand their product and service offerings and are increasing back office efficiency with modern technology. Although these investments will potentially allow for significant cost reduction, they also entail extensive restructuring.

Basel II: The revised Basel 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.

Business Developments

State aid ruling reduces consolidated net profit

Since the business structure of Deutsche Postbank group (Postbank) differs substantially from the business of the other companies in the Group, the following discussion contains key figures for the Group as well as key figures based on the Postbank at equity financial statements. Postbank is accounted for in these financial statements as a financial investment carried at equity (see table on page 30).

In fiscal year 2002, Deutsche Post World Net increased its **consolidated revenue** by 17.6% to €39,255 million (previous year: €33,379 million). Excluding the first-time consolidation of DHL, revenue fell by 1.0% to €33,056 million. By contrast, in local currency, revenue rose by 0.6% to €33,592 million. Changes in euro exchange rates resulted in negative currency effects for the Group of €536 million. The decrease in the Group's adjusted revenue was due to slight drops in revenue in the MAIL Corporate Division and in the Express Europe Business Division of the EXPRESS Corporate Division. In addition to these factors, a decline in freight rates in the LOGISTICS Corporate Division as well as the sustained low level of interest rates on the money and capital markets in the FINANCIAL SERVICES Corporate Division depressed revenue slightly. In the "Postbank at equity" scenario, adjusted revenue fell by 1.0% to €26,144 million (previous year: €26,408 million).

Selected indicators for our results of operations

		Deutsche Post World Net Jan. 1 – Dec. 31, 2001	Deutsche Post World Net Jan. 1 – Dec. 31, 2002	Deutsche Post World Net Postbank at equity Jan. 1 – Dec. 31, 2001	Deutsche Post World Net Postbank at equity Jan. 1 – Dec. 31, 2002
Return on sales (based on EBITA)	in %	7.6	6.2	7.8	1.7
Profit from operating activities before goodwill amortization (EBITA)	in €m	2,547	2,421	2,047	535
Profit from ordinary activities	in €m	2,147	1,856	2,012	1,589
Return on equity	in %	45.9	35.5	43.0	30.4
Income tax expense	in €m	560	266	426	8
Tax expense ratio	in %	26.1	28.0	21.2	1.2
Net profit for the period before minority interest and extraordinary expense	in €m	1,587	1,590	1,586	1,581
Consolidated net profit	in €m	1,577	659	1,577	659
Earnings per share	in €	1.42	0.59	1.42	0.59
Earnings per share before extraordinary expense	in €	1.42	1.41	1.42	1.41

Despite the unfavorable economic conditions, Deutsche Post World Net recorded a slight increase in revenue of 3.0% to €23,068 million (previous year: €22,398 million) in Germany. With the takeover of DHL, we further expanded our position on the international markets. In Europe (excluding Germany), revenue was up 25.5% to €10,276 million (previous year: €8,188 million). We generated above-average growth in North, Central and South America with an increase of 109.6% to €3,522 million (previous year: €1,680 million). In the Asia/Pacific region, we leveraged additional potential and more than doubled our revenue to €2,047 million (previous year: €915 million). The other regions recorded growth of 72.7% to €342 million (previous year: €198 million).

Other operating income rose by 90.8% to €3,007 million. This increase is primarily due to income from the reversal of negative goodwill for Postbank in the amount of €1,499 million, as well as from the transfer of real estate in the amount of €221 million to the Pension Trust. Total operating income increased by 20.9%.

At the same time, **operating expenses before goodwill amortization** rose by 22.9% to €39,841 million. The clear increase in operating expenses is primarily due to the first-time full consolidation of DHL. Higher materials expense in the MAIL Corporate Division as well as higher other operating expenses adversely affected total operating expenses. In addition, other operating expenses contain a restructuring provision for the STAR project of €1,077 million. Overall, other operating expenses rose by 71.1% to €6,946 million.

The **profit from operating activities (EBITA)** decreased by 4.9% to €2,421 million (previous year: €2,547 million). The main reason for this was the decline in earnings in the MAIL Corporate Division. The other Corporate Divisions developed positively, with the EXPRESS and LOGISTICS Corporate Divisions increasing their respective profits from operating activities (EBITA) by 38.1% to €243 million and 40.9% to €224 million.

The FINANCIAL SERVICES Corporate Division generated growth of 19.0% for a profit of €621 million. Overall, the profit from operating activities developed more positively than our projections during the year.

The **return on sales** based on EBITA fell to 6.2% (previous year: 7.6%). This decrease is directly related to the decline in the return on sales in the MAIL Corporate Division. Some of the other Corporate Divisions significantly improved their return on sales. Currency effects lowered the profit from operating activities (EBITA) by €26 million. In the "Postbank at equity" scenario, the return on sales experienced an even sharper decline to 1.7% (previous year: 7.8%). While the reversal of negative goodwill at Postbank was disclosed under other operating income in the Group's income statement, this transaction was reflected in net financial income in the "Postbank at equity" scenario. As a result, the profit from operating activities (EBITA) in the "Postbank at equity" scenario was lower than the Group's EBITA (see also the Postbank at equity income statement). For this reason, the return on sales in the "Postbank at equity" scenario fell more sharply than did the figure for the Group.

Goodwill amortization increased to €449 million (previous year: €171 million) due to an impairment loss of €205 million and the first-time consolidation of DHL.

Net finance costs improved to €116 million (previous year: €229 million). This is due particularly to the increase in net income from associates, which was still burdened by DHL's negative result in fiscal year 2001. The Group managed to generate a **profit from ordinary activities** that, at €1,856 million, was 13.6% below the prior-year level (€2,147 million).

The **return on equity** based on net profit before taxes declined from 45.9% to 35.5%. In the "Postbank at equity" scenario, this figure fell by 12.6 percentage points to 30.4%.

The low **tax expense ratio** is primarily the result of a decreased reduction in tax loss carryforwards, largely due to the decline in Deutsche Post AG's taxable profit.

At €1,590 million, our **net profit for the period before minority interest and extraordinary expense** remained at the prior-year level (€1,587 million). **Consolidated net profit** was impacted by the provision of €907 million that we recognized as an extraordinary expense as a result of the European Commission's state aid ruling. This meant that consolidated net profit including minority interest fell by €918 million year-on-year to €659 million. At the same time, **earnings per share** decreased from €1.42 to €0.59. Earnings per share before extraordinary expense – adjusted for the effect of the state aid ruling – amounted to €1.41 and were thus at the prior-year level (€1.42).

MAIL achieves expected return on sales

In an overall troubled economic environment, Deutsche Post World Net's MAIL Corporate Division generated **revenue** of €11,666 million, which corresponded to only a slight year-on-year decrease of 0.4%. This included a 1.2% decline in revenue in the Mail Communication Business Division to €7,280 million (previous year: €7,367 million). By intensifying our focus on the needs of our business customers, we generated higher sales in this segment despite the economic headwind. In contrast, revenue from private customers declined. In connection with the changeover to the euro, customers initially used up their supplies of stamps denominated in DM in the first half of 2002. However, they did not build up new reserves to a corresponding extent in H2/2002 because of the price cuts announced for January 1, 2003.

The Direct Marketing Business Division recorded a slight decrease in sales in 2002. This decline was planned in the area of unaddressed advertising mailings in order to increase the average price. Overall, the Business Division recorded revenue of €2,066 million and thus largely maintained the prior-year level (€2,072 million). The continuation of the difficult situation at many newspaper and magazine publishers caused a 3.9% drop in sales in the Press Distribution Business Division to 2.2 billion mailings (previous year: 2.3 billion mailings). As a result, the Business Division's revenue decreased by 2.1% to €823 million (previous year: €841 million).

At €1,658 million, the MAIL Corporate Division's **profit from operating activities (EBITA)** was below the prior-year level (€1,960 million). The return on sales of 14.2% was in line with our expectations.

We reduced our staff count by 6,100 employees in the year under review as a result of rationalization and the outsourcing of transport services, among other things. However, the resulting outsourcing costs led to an increase in materials expense for transport and a subsequent rise in other operating expenses, which was compounded by a rise in both fuel costs and maintenance costs. In addition, we intensified our marketing and sales activities in the business customers segment and expanded our IT infrastructure.

DHL moves into positive territory

In the EXPRESS Corporate Division, we increased **revenue** by 94.5% to €12,489 million in the year under review (previous year: €6,421 million). This rise is primarily due to the first-time consolidation of DHL. On a like-for-like basis, revenue underwent a slight year-on-year decrease in fiscal year 2002. At €2,796 million, revenue in the Express Germany Business Division remained at almost exactly the prior-year level (€2,795 million). The Express Europe Business Division recorded a 5.5% decrease in revenue to €1,941 million (previous year: €2,054 million). This reflects a one-time effect that arose in 2001 due to a change in the Securicor group's fiscal year. In 2001, the end of the group's fiscal year was changed from September 30 to December 31, which meant that the results for 2001 contained revenue generated over 15 months instead of 12. The Guipuzcoana group was fully consolidated for the first time in fiscal year 2002.

The 5.8% decline in revenue to €1,239 million (previous year: €1,315 million) in the Global Mail Business Division is primarily due to a decline in the area of cross-border mail services to Germany. The was only partially offset by the positive development at Infopost (addressed advertising mailings) from international customers as well as the expansion of the product range with DHL's former "World Mail" product. The Worldwide Express Business Division, which is represented by DHL, contributed €6,162 million to the Group's revenue in the year under review.

The **profit from operating activities (EBITA)** of the EXPRESS Corporate Division amounted to €243 million in the year under review. The corresponding return on sales of 1.9% was slightly above our expectations. A meaningful year-on-year comparison of the profit from operating activities (EBITA) is only possible for the three Business Divisions Express Germany, Express Europe and Global Mail. These Business Divisions generated a profit from operating activities (EBITA) of €224 million in the year under review after €176 million in the previous year. This growth was the result of positive one-time effects as well as the performance of the Express Europe Business Division, which recorded strong development due to its market leadership in certain countries as well as cost savings in France and the Benelux states in particular.

In fiscal year 2001, we began restructuring DHL in the US in order to return this company to profitability. We successfully drove forward this extensive program in fiscal year 2002, with the result that DHL reached the break-even point as planned. Strong earnings in the remaining regions offset the losses in the US.

LOGISTICS records a sharp jump in earnings

In the LOGISTICS Corporate Division, we generated **revenue** of €9,152 million and thus, on the whole, succeeded in maintaining the prior-year level (€9,153 million). Reduced air and ocean freight prices as well as weaker foreign currencies, particularly the US dollar, impacted revenue development in the Intercontinental Business Unit; revenue here fell by 3.6% to €4,233 million (previous year: €4,390 million). This decline was only partially offset by an increase in freight volumes in the second half of the year. By contrast, we increased revenue in the Solutions Business Unit by 1.6% to €1,492 million (previous year: €1,468 million) thanks to growing demand for services within the framework of outsourcing. Due to the full consolidation of Kelpo Kuljetus and the first-time consolidation of the Cargoplan/Cargoline group, as well as the takeover of a number of smaller units from the EXPRESS Corporate Division, revenue in the Eurocargo Business Unit grew by 4.0% to €3,427 million (previous year: €3,295 million).

The **profit from operating activities (EBITA)** increased substantially in fiscal year 2002, rising 40.9% to €224 million (previous year: €159 million). The return on sales of 2.4% was in line with our expectations. The increase in the profit from operating activities (EBITA) is primarily due to the earnings contributions of companies acquired in 2001, as well as to our cost-cutting measures, where we reduced our overheads, discontinued business activities that were not sufficiently profitable, optimized internal processes and consolidated our purchasing activities.

Postbank increases earnings once again

The FINANCIAL SERVICES Corporate Division, which primarily consists of Postbank and also includes the retail outlet network and the Pension Service, generated **income** in the amount of €8,872 million (previous year: €8,876 million) in the year under review. Income from banking transactions comprises gross income from interest, fees and commissions and trading transactions; it is equivalent to an industrial company's revenue. The €103 million decline in Postbank's income is largely due to the sustained low level of interest rates on the money and capital markets in 2002.

Bucking the market trend, the Corporate Division again succeeded in increasing its **profit from operating activities (EBITA)**, which rose by 19.0% to €621 million (previous year: €522 million). This is primarily the result of the successful expansion of the customer deposit volume and total credit extended and the related increase in net interest income. Income from banking transactions rose by a total of 11.9%. Net interest income climbed 13.0% to €1,852 million (previous year: €1,639 million). Net fee and commission income, net trading income and net income from investment securities totaled €571 million, an 8.3% increase on the prior-year figure of €527 million.

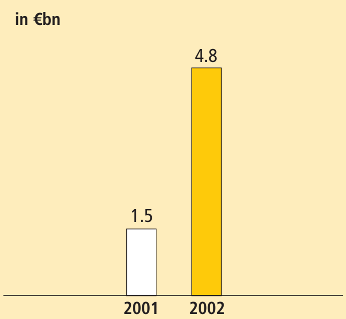
Postbank's other expenses, which comprise the allowance for losses on loans and advances, staff costs and other non-staff operating expenses, and net other income and expenses, rose at a slower rate than income, increasing 11.0% to €2,024 million (previous year: €1,823 million). This increase was due to higher other non-staff operating expenses and staff costs, particularly in the area of information technology. In addition, we increased the allowance for losses on loans and advances.

The cost/income ratio improved by 5.9 percentage points to 77.7%, reflecting the faster rise in income than expenses. The return on equity (RoE) rose 1.3 percentage points year-on-year to 10.7%. The RoE was calculated according to a different method in the year under review, with modified average equity being used as the basis. Prior-year amounts and projections were adjusted as necessary.

Investments secure competitive edge

Overall, the Group's segment investments increased by 216% to €4,832 million (previous year: €1,527 million) in fiscal year 2002. Of this amount, €2,878 million (previous year: €1,106 million) was invested in property, plant and equipment.

Segment investments



The investments were focused on replacing our vehicle fleet as well as DHL's aircraft fleet. In the MAIL Corporate Division, we invested in operating assets and technical equipment for our mail sorting centers. In the EXPRESS Corporate Division, the spotlight was on infrastructure investments. We also began replacing our aircraft fleet by purchasing 34 Boeing 757 aircraft that will be retrofitted as freight aircraft. With the development of specific IT systems, we secured our substantial competitive advantage in the LOGISTICS Corporate Division. Within the framework of our cost and quality management, we also focused our investments on IT structures in the FINANCIAL SERVICES Corporate Division.

Investments in companies, as recorded in the cash flow statement, amounted to €1,256 million (previous year: €1,240 million) in the year under review. Of this total, almost €1 billion was used to increase our interest in DHL to 100% as of the end of 2002. The remaining amount was distributed over a number of smaller acquisitions, company formations and increases in equity interests.

Organization geared towards future challenges

After we acquired a majority interest of 50.64% in DHL in January 2002 and were granted approval by the European Commission to increase this interest to over 75% in October, the stage was set for the implementation of our Group-wide value creation program, STAR. Organizationally, this comprehensive program will be directed from the new Corporate Services Board Department that we established as of November 1, 2002. This Department also oversees the following central service functions for the Group: Corporate Development, Legal Services, Corporate Purchasing, Corporate Information Management and IT Infrastructure. Finally, on December 2, 2002, we increased our interest in DHL to 100%.

In light of the increasing deregulation of the European mail markets, we have repositioned the MAIL Corporate Division: with the acquisition of Interlanden B.V. and the formation of a joint venture with its parent company, Wegener N.V., we expanded our business activities in the Netherlands in the year under review. In addition, we were awarded a license for the British mail market. These activities will be organized in two new Business Divisions: Foreign Domestic International is home to our distribution activities on the European mail markets. The Solutions International Business Division bundles our national and international activities in the area of value added services.

In the EXPRESS Corporate Division, we boosted sales for our parcel business in the B-to-B- and B-to-C segments with the formation of the marketing and sales company Deutsche Post Euro Express Deutschland GmbH & Co. OHG (DPEED) as of January 1, 2002. Likewise, Deutsche Post Global Mail and DHL Worldmail Express merged their activities in the international mail sector as of January 1, 2002. As a result, our international mail business is well equipped to master the challenges of the next few years.

In addition, we further concentrated and intensified our portfolio and asset management activities in the FINANCIAL SERVICES Corporate Division with the commencement of business activities at Postbank Financial Services GmbH in Frankfurt am Main.

Financial Analysis

Various factors impact the Group's economic position

The Group's economic position was impacted by several significant factors in 2002. With the first-time consolidation of DHL, we experienced a substantial increase in the size of our consolidated group. An impairment loss of €205 million was charged on DHL USA's goodwill. An additional important factor was the European Commission's state aid ruling, which obligated the Group to pay €907 million. The third key factor was the reversal of negative goodwill at Postbank in the amount of €1,499 million. Among other things, we also set up a restructuring provision for the STAR project totaling €1,077 million, as well as additional provisions for the restructuring of retail outlets at Deutsche Post AG in the amount of €210 million.

Net assets and financial position remain sound

The following analysis of the Group's net assets is based on the consolidated balance sheet, which can be found in the "Achievements" section on page 6.

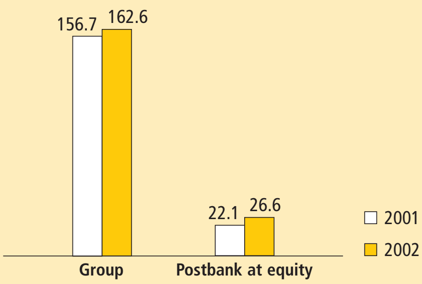
As of the reporting date, **total assets** increased by 3.8% to €162,647 million (previous year: €156,701 million). The balance sheet structure changed only slightly.

Noncurrent assets grew by 18.1% to €14,536 million (previous year: €12,304 million). This reflected a sharp increase in intangible assets, which rose to €5,076 million (previous year: €1,787 million) due to the inclusion of goodwill for DHL as well as the reversal of negative goodwill for Postbank in the amount of €1,499 million. After deduction of the impairment loss charged on DHL's goodwill, the carrying amount of DHL totaled €1,742 million. Previously, the negative goodwill at Postbank was netted against goodwill, so that the reversal of the negative goodwill resulted in an increase in intangible assets in the year under review. Property, plant and equipment also increased sharply, rising 8.2% to €9,085 million (previous year: €8,395 million) as a result of the consolidation of DHL.

In contrast, noncurrent financial assets fell to €375 million (previous year: €2,122 million). This was due to two factors: firstly, DHL was still recognized under investments in associates as of the end of 2001. Secondly, a loan granted to DHL that was recognized as of December 31, 2001 was subsequently eliminated during the course of the first-time consolidation.

Total assets

in €bn



Current assets increased slightly by 2.6% to €146,665 million (previous year: €142,906 million). Once again, receivables and other securities from financial services resulting from Postbank's business activities constituted the largest single item by far; this item increased by 1.3% to €137,641 million (previous year: €135,904 million). Primarily as a result of the consolidation of DHL, inventories increased by 31.3% to €214 million (previous year: €163 million), receivables and other assets rose by 27.6% to €6,168 million (previous year: €4,834 million), and cash and cash equivalents including current financial instruments grew by 31.8% to €2,642 million (previous year: €2,005 million).

Deferred tax assets fell by 3.0% to €1,446 million (previous year: €1,491 million). In addition to other minor effects, this change reflects two important contrary developments: on the one hand, the reduction of deferred taxes from loss carryforwards at Deutsche Post AG and Postbank led to a €250 million decrease in deferred tax assets from tax loss carryforwards. On the other, deferred tax assets from temporary differences rose by €205 million.

Selected indicators for our net assets and financial position

		Deutsche Post World Net Jan. 1–Dec. 31, 2001	Deutsche Post World Net Jan. 1–Dec. 31, 2002	Deutsche Post World Net Postbank at equity Jan. 1–Dec. 31, 2001	Deutsche Post World Net Postbank at equity Jan. 1–Dec. 31, 2002
Capital ratio	in %	3.4	3.1	24.3	19.1
Ratio of equity to fixed assets	in %	43.5	35.1	33.5	28.7
Net debt	in €m	303	1,174	1,750	1,986
Net gearing	in %	5.4	18.7	24.6	28.0

Equity decreased by 4.8% to €5,095 million (previous year: €5,353 million) as of the balance sheet date. This decline is attributable to the following factors, which were recognized directly in equity: dividends in the amount of €412 million were distributed from the unappropriated surplus from fiscal year 2001. In addition, equity fell by €438 million as a result of the remeasurement of financial instruments in accordance with IAS 39 and was reduced by a further €97 million due to currency translation (for additional information, see the Statement of Changes in Equity on page 8 of the "Achievements" section). In contrast, consolidated net profit of €659 million led to a corresponding increase in equity.

IAS 39: International Accounting Standard that governs the recognition and measurement of financial derivatives as well as financial assets and liabilities.

The **capital ratio** fell by 0.3 percentage points to 3.1% (previous year: 3.4%); for additional information, please see the table above. This figure is very low compared with other service providers due to Postbank's business operations, which are represented by the FINANCIAL SERVICES Corporate Division. After adjustment for the effect of the banking business, the Group has a capital ratio of 19.1% (previous year: 24.3%) and thus a sound financing structure, as is evident from a glance at the key figures in the "Postbank at equity" scenario.

The Group’s **ratio of equity to fixed assets** fell to 35.1% (previous year: 43.5%); in the “Postbank at equity” scenario, this figure dropped to 28.7% (previous year: 33.5%).

The **minority interest** rose to €117 million (previous year: €75 million). The largest proportion of this amount – €83 million – is attributable to the Guipuzcoana group.

Provisions increased by 15.6% to €12,684 million. The first-time consolidation of the provisions from DHL USA and the creation of a restructuring provision for the STAR project were offset by the decrease in pension provisions that resulted from the transfer of property, plant and equipment to Deutsche Post AG’s Pension Trust. Changes to the collective wage agreement resulted in a reduction in pension provisions that was recognized in income. The changes to the collective wage agreement relate to a reduction in automatic increases to pension entitlements.

Liabilities primarily relate to liabilities from financial services. This contra account to receivables from financial services rose slightly from €131,532 million to €132,851 million as of the balance sheet date. On the whole, liabilities increased by 3.2% to €144,751 million (previous year: €140,302 million).

This was partly attributable to the first-time consolidation of liabilities at DHL, which caused a 12.6% increase in trade payables to €2,707 million (previous year: €2,404 million). In addition, the European Commission’s state aid ruling led to the recognition of a liability of €907 million in other liabilities; this item increased by 32.5% to €5,377 million (previous year: €4,058 million). Financial liabilities rose by 65.3% to €3,816 million (previous year: €2,308 million). This increase, which was primarily due to the consolidation of DHL, was offset by principal repayments to banks and other creditors. A breakdown of the financial liabilities by maturity is presented in item 40 of the Notes.

Net gearing: net debt in relation to the sum of net debt and equity. The lower the percentage, the larger the equity component of the utilized interest-bearing capital.

Net debt (financial liabilities minus securities and cash and cash equivalents) rose to €1,174 million (previous year: €303 million). As of the end of 2002, the Group’s net gearing totaled 18.7% (previous year: 5.4%). In the “Postbank at equity” scenario, net debt rose to €1,986 million (previous year: €1,750 million) while net gearing increased to 28.0% (previous year: 24.6%).

In order to actively manage the Group’s cash resources, we launched a bond issue in autumn 2002. The two tranches worth a total of €1.5 billion have maturities of five and ten years, respectively. In this way, we were able to take advantage of very attractive interest rates at the time of the issue and convert short-term liabilities into long-term debt.

Our current cash reserves and existing bank credit lines of around €3.9 billion (approximately 17% of which had been drawn down as of the balance sheet date) mean that we have sufficient funds to finance both the growth we are aiming for and our planned investments.

The key elements of the **cash flow statement** (Postbank at equity) have been summarized below in order to explain the financial position. The complete consolidated financial statements, including Postbank accounted for at equity, can be found in the “Achievements” section.

Selected indicators for our financial position

		Deutsche Post World Net Postbank at equity Jan. 1 – Dec. 31, 2001	Deutsche Post World Net Postbank at equity Jan. 1 – Dec. 31, 2002
Cash and cash equivalents as of Dec. 31	in €m	594	1,827
Net profit before changes in working capital	in €m	3,028	683
Net cash from operations (Cash flow I)	in €m	2,797	3,087
Net cash from operating activities (Cash flow II)	in €m	2,593	3,093
Net cash used in investing activities	in €m	-2,020	-2,118
Net cash used in (from) financing activities	in €m	-492	258

The Group's liquidity position improved substantially in the year under review. Our **cash and cash equivalents**, the net of all cash inflows and outflows, increased by €1,233 million to €1,827 million (previous year: €594 million) as of December 31, 2002. For additional information, please see the table above.

The net profit before changes in working capital declined by €2,345 million to €683 million (previous year: €3,028 million) as of December 31, 2002. The primary reason for this drop is the disputed repayment of state aid in the amount of €907 million in accordance with the European Commission's ruling (which we have appealed); this amount was recognized as an extraordinary expense and reduced the consolidated net profit accordingly. This effect is balanced out in operating cash flow (**net cash from operations/Cash flow I**), since the allegedly unjustified state aid was repaid at the beginning of 2003 and increased other liabilities in the year under review.

Within non-cash expenses and income, net income from the measurement of Postbank at equity totaling €1,640 million was offset by non-cash provisions for restructuring and staff costs for the STAR program in particular in the amount of €1,600 million. The net income from the measurement of Postbank at equity contains the reversal of negative goodwill for Postbank in the amount of €1,499 million.

In addition, **net cash from operating activities/Cash flow II** increased to €3,093 million (previous year: €2,593 million) as a result of higher interest and dividend income. The largest single item was the dividend paid by Postbank, which amounted to €137 million.

Net cash used in investing activities was impacted by the acquisition of a 100% interest in DHL in the year under review and, at €2,118 million, almost attained the prior-year level (€2,020 million). Investments in noncurrent assets totaled €2,785 million (previous year: €3,051 million) in the year under review. €1,588 million of this amount (previous year: €2,132 million) was attributable to investments in other noncurrent assets, while the acquisition of companies accounted for €1,197 million (previous year: €919 million). The acquisition costs were reduced by the cash and cash equivalents amounting to €193 million acquired in the course of the acquisitions. These investments were offset by income from the disposal of items of noncurrent assets, which fell to €667 million (previous year: €1,031 million).

At the reporting date, **net cash from financing activities** amounted to €258 million, as against net cash used in financing activities of €492 million in the previous year. This reflects our active management of cash and cash equivalents, which led to a substantial increase in redemption payments on financial liabilities to €2,184 million (previous year: €527 million). At the same time, we increased the dividend distribution to €412 million (previous year: €300 million). These effects were offset by new financial liabilities (resulting, in particular, from the €1,496 million bond issued by DP Finance B.V.), which increased to €2,854 million (previous year: €335 million).

Safeguarding the Future

Identifying opportunities and assessing risks

Deutsche Post World Net has developed an **opportunity and risk management system** which we apply throughout the Group with the exception of Postbank, whose system is designed to comply with the specific requirements of Basel II. With this system, we aim to identify and assess the significant opportunities and risks for us at the earliest possible point in time. This enables us to quickly and comprehensively leverage the opportunities which present themselves, thereby enhancing our enterprise value, while at the same time assessing and limiting risks to the greatest extent possible.

Responsibility for identifying opportunities and risks is devolved to the individual Business Departments, Corporate Departments and subsidiaries. The transfer of information to higher levels in the hierarchy is controlled by way of predefined materiality levels, updated on a quarterly basis, and consolidated centrally. The Board of Management receives a report on the significant opportunities and risks in the Group on a twice-yearly basis. Any major changes occurring over time are reported immediately. The functions of our risk management system are documented in a Group-wide manual, and are regularly examined for their suitability by Corporate Audit and the external auditors.

We are subject to **risks arising from macroeconomic factors** particularly in the form of political, legal and tax-related developments. For example, a rise in taxes, fees, or the cost of raw materials also causes our transport costs to increase. We do not consider the Group to be subject to any material risks with regard to economic and sociopolitical developments.

There are various **sector risks** for our Corporate Divisions. The MAIL Corporate Division in particular is subject to significant risks arising from the public policy framework. With the amendment to the Postgesetz (German Postal Act) in line with the EU Directive on the deregulation of the European postal market, letters and addressed catalogs over 100g were opened up to competition as of January 1, 2003. Starting in 2006, the weight ceiling will be cut to 50g. Alongside the related competition risk on the domestic market, this will also open up new opportunities for us on the European mail markets. The Postgesetz allows exceptions on the basis of which com-

petitors are permitted to operate in the local post segment even within the boundaries of our exclusive license. The resulting additional competitive pressure can be seen from the fact that the RegTP had issued licenses to 1,255 licensees by the end of 2002.

On July 26, 2002, RegTP also announced its decision on the so-called price-cap procedure. It set out the framework for postal rates for mail products requiring approval, on the basis of which we will be obliged to cut prices or entitled to raise prices, depending on the rate of inflation, in the period January 1, 2003 to December 31, 2007. The mandatory price reductions that took effect for the most important mail products as of January 1, 2003 will depress our revenue and earnings by around €300 million a year throughout this period. Furthermore, we will have to allow customers and competitors partial access to our networks in accordance with conditions determined by the regulator.

Despite increased electronic communication, we expect that, on balance, volumes in the MAIL Corporate Division will remain stable due to market growth. Competition for the EXPRESS and LOGISTICS Corporate Divisions has heated up further, particularly on the European markets. We aim to counter the risks arising from this development by integrating all of the Group companies which are active in these markets under the DHL name, and developing joint products. An increase in the risk of terrorist attacks could dramatically increase the cost of the necessary insurance cover for DHL's aircraft fleet.

The primary risks affecting the FINANCIAL SERVICES Corporate Division are market price risk and counterparty (default) risk. These are intensively monitored and managed by Postbank using a comprehensive set of instruments for risk management in foreign exchange trading, securities trading and lending, among other things. Compliance with the limits set by the Board of Management is monitored daily. Postbank is currently establishing a risk system for operational risks to ensure that compliance with the new requirements set out in the second consultation paper of the Basel Committee on Banking Supervision Basel II is achieved ahead of schedule.

Legal risks arise from the competition case pending before the European Commission. In the competition proceedings, which were initiated on the basis of accusations of excessive letter rates made by the Deutscher Verband für Post und Telekommunikation (DVPT - German Association for Posts and Telecommunications), we have presented the European Commission with detailed evidence of the reasonableness of our prices.

Derivative: a financial instrument derived from underlyings that can be used to hedge existing risks or for arbitrage or speculation and the value of which depends on the development of the underlying financial product's price.

We have substantially reduced potential **infrastructure risks** by systematically monitoring our expensive conveyor and sorting systems, and by taking precautions in a number of areas, such as fire protection and IT security. In addition, corresponding emergency and contingency plans are in place in order to avoid potential interruptions to business due to fire, accident or natural disaster.

Financial risks relate to exchange rates, interest rates and the cost of raw materials. We limit the Group's exposure to such risks by employing primary and derivative financial instruments. Derivatives are only employed when they can be allocated to an underlying transaction.

As a matter of principle, all financial transactions are captured regularly in a treasury risk management program. The Company's management is kept informed about hedging measures on a timely basis as part of ongoing reporting. Derivatives are traded exclusively with prime-rated banks. In addition, the credit rating of counterparties is reviewed regularly and a trading limit is fixed. Hedging instruments are accounted for in accordance with IAS 39.

With regard to individual risks:

The Group's monetary receivables and liabilities are subject to interest rate risks. Regular interest rate analyses help us to quantify this risk profile. We limit interest rate risk by implementing standard hedging instruments as part of our strategy of active interest rate management.

Corporate Treasury: corporate function responsible for ensuring financing and cash management. Controls all of the Group's financial flows and advises Group companies in all matters related to financing, financial risk management and payment transactions.

Due to the international nature of business throughout the Group, there are a variety of cash flows in foreign currencies, giving rise to **exchange rate risks**. For this reason, currency management is another key component of Group risk management. All Group companies are obliged to hedge currency risks when they arise. Hedging transactions are generally concluded with Corporate Treasury. Central currency management consolidates all of the Group's foreign currency cash flows and calculates the net position for each currency. Each net position may be hedged with external counterparties, depending on the assessed risk. The most important foreign currency for the Group is the US dollar, since we conduct most of our foreign currency business in the US and in countries whose monetary policies are oriented towards the US dollar.

A further key component of our risk management strategy is raw materials management. Globally, we use around 250 aircraft and over 100,000 vehicles. This means that large quantities of various fuels are required, such as kerosene, diesel and gasoline. A portion of our fuel requirements is regularly hedged in advance. In addition, DHL issues fuel surcharges in the case of unusually high price increases.

As of the end of the fiscal year, no **risks which could threaten the continued existence of the Group** were identified. There is also no overall risk to the Group's existence in the foreseeable future.

New technologies and services developed

As a service provider, Deutsche Post World Net does not carry out research and development in the narrower sense. At the same time, all of the Group's Business Divisions are focused constantly and intensively on the fundamental task of research and development. Although the effort involved in these activities cannot be quantified, the results are visible – in the form of new products and business concepts, for example.

Among other things, our efforts were concentrated on the EXPRESS Corporate Division. In the second quarter of 2002, we started to install an innovative online communications platform which forms a cornerstone of the Europe-wide harmonization of our information technology. This new platform is a multi-functional, mobile terminal for parcel delivery, and has the footprint of a mobile phone. It allows information to be transferred between drivers and depot employees quickly and comprehensively, as well as serving to further optimize route planning. We are aiming to introduce this courier terminal at all of our European partners by the end of 2003. The greater data transparency provided as a result will allow us to improve our business processes, further improve quality, and identify potential savings.

Environmental protection and sustainable development intensified

In 2002, we set out a Group-wide environmental policy defining the areas of activity and responsibility within the Group. With these guidelines, we are aiming to ensure that our actions are even more closely tied to the principles of sustainable development.

We set ourselves the goal of making our transport activities even more environmentally friendly. In our opinion, integrated global transport networks are a prerequisite for sustainable mobility in the transport and logistics sector. The measures implemented in the year under review were concentrated on three key areas: optimizing transport flows, networking modes of transport, and expanding our fleet of modern, fuel-efficient vehicles.

For example, we further developed IT-based systems such as “GeoRoute”, a system for optimal, down-to-the-minute route planning which helps to reduce deadhead trips. In 2002, we were already able to reduce the total distance traveled by around 15,000 kilometers per week. With the “Parcel Intercity” project, we are shifting transportation within Germany from road to rail; we have now extended our successful cooperation with Deutsche Bahn Cargo until the end of 2004. In Switzerland, over 60% of our freight volume is already transported by rail. In Scandinavia, we offer “Green Tonnage”, a transport system using low-emission biogas and electric hybrid vehicles. In addition, we are pressing ahead with the employment of alternative drive technologies within the Group, such as courier vehicles using liquid gas.

The modernization of DHL’s aircraft fleet is a top priority. To this end, DHL has invested in 34 modern aircraft. Offering a noise reduction of 77%, the Boeing 757-SF more than meets all current noise legislation. It uses 20% less fuel per tonne, and emits significantly less CO_2 than its predecessor, the B727. It can also carry 6,000kg more freight than the B727, thereby reducing overall transport costs. 20 of the 34 aircraft were delivered by December 2002; the remaining 14 will be ready for use by September 2003. At the same time, we will successively reduce our previous B727 fleet to 15 aircraft by the end of December 2003.

With our Group-wide value creation program, STAR, we have set out a number of projects aimed at conserving resources and reducing environmental impact. A prime example of this is our new integrated pick-up & delivery network in Europe, with which we intend to reduce the number of trips by more than 5% by 2005; at the same time, we will increase capacity utilization per trip by 10%, thereby cutting down on fuel consumption and emissions. We will reduce the scope of our overnight air-mail network by twelve flights daily, which will result in a corresponding reduction in environmental impact and noise. We will also intensify employee training in order to promote environmental awareness within the Group. By 2005, for example, professional driving instructors will teach all 15,000 of our parcel deliverers how to drive using less fuel.

The efficient use of resources and protecting the climate are also two key factors behind the innovative energy and air conditioning concept at our new Group head-quarters. The Post Tower boasts floor heating and cooling, with ground water used as a cooling agent. The double-skin facade means that around 20% less heating energy is needed compared with regular HVAC technology, and the use of cool ground water will reduce energy requirements in summer by around 30%.

We have identified and evaluated the environmental impact of our activities in Germany. Based on these results, we have developed an environmental program for 2003 and are also planning to publish our first-ever environmental report in the current fiscal year. We intend to press ahead with the use of environmental management systems. In 2002, DHL became the first air express courier to be certified under DIN ISO 14001 for its environmental management. Certification of the express service in Germany will be completed in 2003, and we will extend this certification to other key European locations by the end of 2004.

We are committed to our social responsibility

One aspect of our social responsibility is to help promote economic and social development in countries and continents. As a global company, we aim to make a contribution towards improving mobility, expanding social infrastructures and solving the challenges faced around the world. We carry out national and international labor market research in cooperation with the private-sector Institut zur Zukunft der Arbeit (IZA – Institute for the Study of Labor).

We have concluded a partnership agreement with the World Bank for over 500,000 US dollars. We are providing the World Bank with 50% of this amount in cash; the remaining $250,000 is guaranteed in the form of consultancy services. The aim of this agreement is to improve infrastructure and economic development in developing countries with regard to postal logistics, thereby contributing towards the fight against poverty.

In the year under review, we initiated the "Food for Afghanistan" program in conjunction with the international charity CARE and the North Dakota Farmers Union. A total of 1,000 tonnes of wheat – a donation by the North Dakota farmers – was transported to Afghanistan free of charge by Deutsche Post World Net; it was then distributed to widows and their children in Kabul by CARE.

In the US, we founded the "Deutsche Post USA Scholarship Fund" in the name of our 16,000 US-based employees. The fund, which is run in conjunction with the renowned Citizens' Scholarship Foundation of America, has a total volume of 500,000 US dollars. It awards scholarships to young US citizens suffering in the aftermath of the terrorist attacks on September 11, 2001.

Group-wide procurement bundled

In the year under review, Corporate Purchasing entered into a number of worldwide agreements with global suppliers for goods and services with a high procurement volume. This has helped to increase the Group's security of supply, while at the same time creating a cheaper economic basis for our procurement departments. A central agreement database gives all buyers within the Group access to the relevant information.

The annual procurement volume within the Group is currently €15.6 billion. Of this amount, €8.2 billion is attributable to transportation alone; the remaining €7.4 billion is due to so-called indirect goods and services, such as IT, vehicles and production systems. This procurement volume offers considerable potential for savings; for this reason, we analyzed all of the procurement processes and organizations within the Group as part of the STAR value creation program. As a result of this analysis, we intend to introduce binding Group-wide standards for procurement.

Employees

Headcount increases

As of December 31, 2002, Deutsche Post World Net had a workforce of 327,676 (calculated as full-time employees), representing a year-on-year increase of 18.6% or 51,441 employees. This growth can be attributed to the first-time consolidation of DHL. On a like-for-like basis, the number of employees at the end of the year under review would have fallen year-on-year to 269,093.

The number of employees in the EXPRESS Corporate Division increased substantially by 126.7% to 107,587; without DHL, the number of employees would have increased by 3.3% to 49,004 full-time employees. At 45,250, the workforce in the LOGISTICS Corporate Division remained almost constant; however, the number of employees in the MAIL and FINANCIAL SERVICES Corporate Divisions fell by 4.8% to 130,546 and by 4.6% to 34,082 respectively. The workforce reduction was carried out exclusively in a socially responsible manner by not refilling open positions.

Change in workforce	Dec. 31, 2001	Dec. 31, 2002	Change in %
Corporate Divisions			
MAIL Corporate Division [1]	137,130	130,546	-4.8
EXPRESS Corporate Division [1]	47,456	107,587	126.7
LOGISTICS Corporate Division [1]	45,036	45,250	0.5
FINANCIAL SERVICES Corporate Division [1] [2]	35,710	34,082	-4.6
Other/Consolidation [1] [2]	10,903	10,211	-6.4
Group [1]	**276,235**	**327,676**	**18.6**
Group [3]	278,028	330,793	19.0
Regions [1]			
Germany	223,555	219,067	-2.0
Europe (excl. Germany)	41,017	65,599	59.9
Americas (North, Central and South America)	7,077	23,905	237.8
Asia/Pacific	3,148	14,372	356.5
Other regions	1,438	4,733	229.1
Total	**276,235**	**327,676**	**18.6**
Total workforce (incl. trainees) as of Dec. 31	321,369	371,912	5.7
Hourly workers	153,629	148,714	-3.2
Civil servants	77,688	73,157	-5.8
Salaried employees	85,493	147,393	72.4
Trainees	6,488	6,626	2.1
Average for the year	**323,298**	**375,890**	**16.3**

1) Calculated as FTEs, excluding trainees, as of Dec. 31
2) Restatement of prior-period amounts due to reallocation of the retail outlets from Other/Consolidation to the FINANCIAL SERVICES Corporate Division
3) Calculated as average FTEs for the year

With 219,067 employees, Germany remained the region with the largest workforce. There were 65,599 employees in the rest of Europe (excluding Germany). The consolidation of DHL resulted in a sharp rise in the workforce in North, Central and South America (the "Americas") to 23,905. Our heightened involvement in the Asia/Pacific region also led to a substantial increase in the number of employees; our workforce in the region grew to 14,372.

Including trainees, the average workforce for the year amounted to 375,890, representing an increase of 16.3% or 52,592 on the previous year. At 148,714, hourly workers remained the largest category of employees in the Group. The number of civil servants fell to 73,157, while the consolidation of DHL led to a jump in the number of salaried employees to 147,393.

Long-term collective wage agreement concluded

On June 11, 2002, Deutsche Post AG concluded a new collective wage agreement for its employees. As a result, wages, salaries and the remuneration of trainees increased by 3.5% from June 1, 2002, and will rise a further 3.2% as of June 1, 2003. We also increased the Christmas bonus in eastern Germany to the same level as that paid in western Germany for the first time in 2002. The collective wage agreement is valid until April 30, 2004. It will ensure our long-term planning reliability, which will benefit us greatly in the difficult market environment.

On January 1, 2002, Deutsche Post AG transferred its IT production activities to its wholly-owned subsidiary Deutsche Post ITSolutions GmbH (DP ITS GmbH). At the same time, we hived off our sales and marketing activities in the Express Germany Business Division to Deutsche Post Euro Express Deutschland GmbH & Co. OHG (DPEED). Collective wage agreements on standard market conditions of work and payment were concluded with the unions for the employees of both companies; these agreements came into force at the time of formation. This allows us to meet the demands made of modern IT and sales companies, particularly by enabling us to offer performance-related pay.

Occupational pension provision modified

We restructured our employer-funded occupational pension scheme in the year under review. As part of the reorganization in line with the collective wage agreements, the previous integrated pension scheme based on public sector regulations was replaced by a fixed amount that is not dependent on external reference systems. Obligations arising from occupational pension commitments to employees are primarily funded by provisions.

The supplementary occupational pension scheme allows every Group employee in Germany to establish an additional occupational pension which also receives government subsidies. Employees convert part of their remuneration into pension contributions which are paid into the PB pension fund established by Postbank Versicherung; in return, they will receive a pension for life.

We have introduced a deferred compensation program for executives and non-executive salaried employees who are not subject to collective wage agreements. In this pension benefit model, executives may choose to convert part of their claim to remuneration into occupational pension benefits.

System of fixed and variable remuneration for executives developed

We have begun to define the approximately 850 second- and third-level Group management positions in accordance with a uniform standard (“role profiling”), and to allocate them to salary bands within a Global Job Banding System. This will establish the conditions necessary for implementing uniform remuneration standards throughout the Group.

In order to ensure strict implementation of corporate goals, we developed a uniform bonus policy for executives. Starting in 2003, the variable component of the total salaries of all executives at the second and third Group management levels was set at 50% and 40%, respectively.

In line with the conditions of the stock option plan introduced in 2000, we issued the second tranche of options to members of the Board of Management and Group executives in fiscal year 2002. They received a total of 10,306,038 options; executives in the US received 446,934 Stock Appreciation Rights (SAR).

Creative employees improve business processes

Our idea management concept is targeted at encouraging the talent and potential among our employees in Germany. Having provided around 85,000 ideas in the previous year, our employees came up with roughly 92,000 suggestions in the year under review, half of which were implemented. This allowed us to save over €50 million (previous year: €38.6 million). We distributed more than €3 million in bonuses to our employees in 2002. Their constructive criticism of existing workflows helps us to continually improve business processes within the Company. We intend to launch similar initiatives across the Group as a whole.

Aiming to promote equal opportunities

Based on our equal opportunity concept, we further developed measures aimed at creating a better work/life balance and promoting individual professional development and an attitude of cooperation in the workplace. By offering flexible working time models and part-time work, we are supporting our employees in planning their professional and personal lives, as well as improving the Company's competitive position. A better child care offering and individual qualifications help to expand parents' professional opportunities.

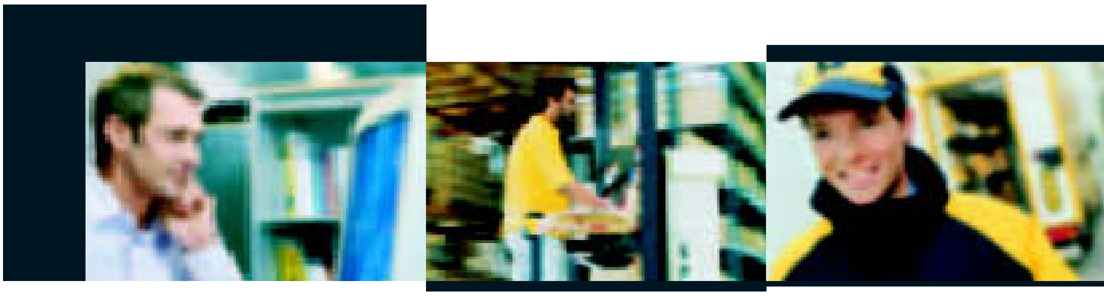
Focus on health and safety

Occupational health and safety is a top priority for Deutsche Post World Net. First and foremost, we aim to take preventative action by offering a wide variety of individual measures on-site and providing our executives with training on an ongoing basis. Our new internal health and safety organization was certified in accordance with DIN EN ISO 9001:2000 in December 2002. We are particularly proud of the fact that we significantly reduced our accident rate in 2002 – by around 20%. In addition, the sickness absence rate dropped to 5.9%, the lowest level in the Company's history.

Training and further education intensified and expanded internationally

By providing training and further education as required, we are creating the foundation upon which our employees will be able to meet the changing requirements in our markets. For this reason, we are currently in the process of restructuring our training and qualification units with a view to becoming a value-oriented, professional and competitive provider of training and human resources development services in Germany.

We are particularly committed to providing vocational training. As of December 31, 2002, the Group employed a total of around 6,000 trainees learning eleven different professions. For the first time, we offered apprenticeships as salespersons and clerks for the retail trade. All trainees who successfully completed their training in the year under review were offered a full-time position. In addition, we are making a contribution to the Alliance for Work, Training and Competitiveness with our third consecutive year of successful participation in the German Federal Government's immediate action program to reduce youth unemployment, among other things.



Junior executives groomed for advancement; executive development program driven forward

The Group's international focus is also reflected in its human resources marketing activities. In February 2002, we offered internships lasting several months to MBA students from renowned US business schools for the first time. We selected 15 students from a total of more than 300 applicants; they were then deployed at locations around the world.

The "Deutsche Post World Net University" was formed for the purpose of disseminating current management expertise and enabling strategic discussions with top-level executives. Lecturers and venues are chosen individually depending on the content and objectives of the respective program; our first partner in the US is the Wharton Business School. By the end of 2002, around 250 executives had participated in a variety of one- to two-week programs, forming personal networks transcending sectors, countries and cultures in the process. In this way, we are developing a mutual understanding of what constitutes cooperation, and establishing the basis for working together efficiently.

Events After the Close of the Fiscal Year

We are pressing ahead with our global growth strategy

We have acquired a number of additional companies since the beginning of 2003, including the Italian parcel company Casa di Spedizioni Ascoli S.p.A., Milan, which we purchased on January 15, 2003. As part of the STAR program, this company will be integrated into our European parcel network under the DHL brand.

In addition, DHL acquired Mayne Group Canada as of January 31, 2003. With the acquisition of this express service provider, which is known under the name Mayne Logistics Loomis, DHL is further expanding its market share in Canada, thereby systematically strengthening its position in the North American market for ground-based express delivery.

On February 13, 2003, we purchased a 5% share in the leading Chinese transport and logistics company, Sinotrans Ltd., within the framework of its IPO. This will further strengthen our strategic position in the Chinese growth market.

Outlook

Moderate economic growth set to continue

We expect global economic growth to be relatively moderate in 2003. We are not anticipating any significant upswing in either the US or Europe in the short term. Our forecasts for development in the Asian region vary; while we believe that Japan is still likely to suffer from structural problems in 2003, China will continue on its growth path.

With regard to the German economy, we expect to see only a weak recovery in the course of 2003, with GDP growth of less than 1%. The strongest impetus for growth is likely to come from exports, which will benefit from the trend towards a gradual global recovery. At the same time, however, the domestic economy will be held back by the significant pressure to consolidate due to the Federal Government's financial policy. Spending cuts and tax increases are likely to lead to lower consumer spending and investment than in the other euro-zone countries.

Starting from fiscal year 2003, our mail business will also be affected by two external factors. From January, the price cuts ordered by the regulatory authority will have a negative impact on annual revenue and earnings to the tune of around €300 million. At the same time, the weight limit for letters in our exclusive license area will be lowered from 200g to 100g, or to three times the standard rate; as a result, approximately 5% of our revenue from mail will be opened up to competition. However, the increasing deregulation of the European mail markets also presents us with new opportunities.

We believe that the process of concentration on the courier, express and parcel service markets is set to continue. We are confident that we will be able to win further market share by bundling our express and logistics activities. With regard to logistics services, we also anticipate additional revenue potential from the sustained trend toward outsourcing on the market for contract logistics.

We expect the trend toward consolidation in the banking sector to continue. Banks are faced with the challenge of positioning themselves clearly on the market through customized offerings and sales channels, while at the same time efficiently employing advanced technologies in order to counteract rising cost pressure.

STAR is helping us to exploit cross-divisional synergies

With the acquisition in full of DHL in December 2002, we entered a new phase in our corporate development. From now on, our strategy will revolve around the STAR value creation program, which we will use to exploit cross-divisional synergies within the Group up to and including 2005. We will take the first comprehensive measures in fiscal 2003:

In the spring of 2003, we will bundle all of our express and logistics activities and market them internationally under the DHL brand name. Again in 2003, we will also start to merge the administrative centers of Deutsche Post Euro Express (Bonn), Danzas (Basel) and DHL at DHL's existing Brussels location. In order to make our service offering more transparent to our customers, we will successively reduce and harmonize our product portfolio under the DHL brand. This will also allow us to optimize our processes, thereby making substantial cost savings. In addition, we are planning to put in place a joint sales structure for our customers worldwide. Reporting within the Group will be unaffected by these organizational changes. In 2003, there will be only one change in the reporting structure: the Eurocargo Business Unit will be transferred from the LOGISTICS Corporate Division to the EXPRESS Corporate Division.

With STAR, we have given our shareholders and the capital markets a clear indication of our commitment to value creation at Deutsche Post World Net. As part of these activities, we have set ourselves the goal of increasing profit from operating activities (EBITA) to €3.1 billion by the end of 2005.

First positive effects from STAR

Fiscal year 2003 is the first full year of work on the implementation of the STAR program. We plan to energetically pursue the ambitious goals we have set ourselves within the framework of this program.

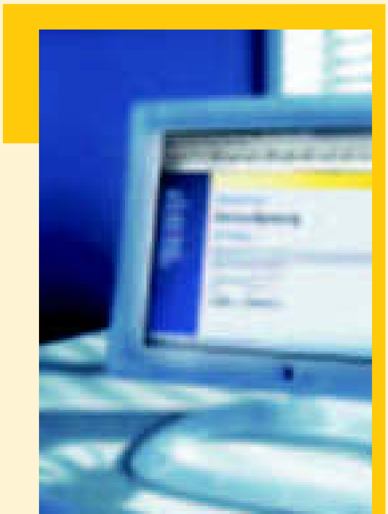
In 2003, our goal is to start offsetting the decline in earnings in the MAIL Corporate Division resulting from the ruling by the regulatory authority. We aim to have achieved this by the end of 2005. In the EXPRESS Corporate Division, we intend to press ahead with the restructuring of DHL USA in fiscal year 2003. On the German and European CEP markets, we are aiming to further increase our volume and to tackle the ambitious goals that we have set ourselves as part of STAR. We will follow the same strategy in the LOGISTICS Corporate Division.

In the FINANCIAL SERVICES Corporate Division, we are focusing on solutions which are tailored to individual target groups. We will expand our business with corporate customers. Logistics finance will become extremely important within the context of our logistics activities under the high-performance DHL brand. In addition, we will further strengthen our core business area of retail banking and realize additional cost reductions by implementing innovative information technologies.

Everything's still a bit new to us here. It's nice to have a partner I can depend on.

Laura and I moved yesterday – from Berlin to Hamburg. It was pretty stressful for my child and me. Hamburg is my favorite city, our new apartment is a dream come true and the neighbors seem nice.

If I hadn't been able to get a loan to finance the new apartment so quickly and easily … well, I don't even want to think about that! Postbank was a real partner. But where's the closest baker, the closest car repair shop, the kindergarten? I already know where the closest Postbank outlet is – I found it immediately on the Internet.



Actually, I can do a lot of my banking from home, since Postbank not only has outlets throughout Germany, but also offers almost everything online and over the phone. I could even set up my new standing orders right now over the Internet. "Laura, just give me one more minute …"

MAIL Corporate Division

Our solution: Quality and service throughout

"Deutsche Post" is the high-performance brand of the MAIL Corporate Division. Under this name, we offer a comprehensive portfolio of products and services for paper-based communication. With revenue of €11.7 billion and a delivery volume of 21 billion items, we are Europe's largest mail service provider. In Germany, our nationwide infrastructure of 83 mail sorting centers allows us to serve 39 million households and three million corporate customers. The MAIL Corporate Division was once the original nucleus of the Group. Since the mid-1990s, we have been expanding this core business by offering additional services and products in new Corporate Divisions. The mail business contributed around 28% of total revenue in fiscal year 2002.

MAIL Corporate Division [1)]

		2001	2002	Change in %
Total revenue	in €m	11,707	11,666	-0.4
Profit from operating activities (EBITA)	in €m	1,960	1,658	-15.4
Return on sales [2)]	in %	16.7	14.2	
Investments	in €m	369 [3)]	342	-7.3
Employees calculated as FTEs, excluding trainees	as of Dec. 31	137,130	130,546	-4.8

1) For a detailed explanation of the Corporate Division's financial development, please see the "Business Developments" section of the Group Management Report, page 31f
2) EBITA / revenue
3) Restatement of prior-period amounts due to reallocation of the retail outlets (see item 9 in the Notes)

Expansion in Europe

The Mail Communication, Direct Marketing and Press Distribution Business Divisions represent the Corporate Division's German business activities.

Mail Communication is responsible for all mail products for business and private customers. In addition, this Business Division offers philately and hybrid mail products. Hybrid mail is mail that is received electronically as a file, printed and delivered as a letter. The Direct Marketing Business Division enables our business

Europe

customers to reach their clients directly. The most important medium in this Business Division is Infopost, i.e. addressed advertising mailings. The Press Distribution Business Division focuses on the delivery of newspapers and magazines.

As a result of the progressive deregulation of the mail markets, we are gaining access to new growth markets in Europe. In order to leverage these opportunities, we established the Foreign Domestic International and Solutions International Business Divisions in 2002. Both Business Divisions will begin contributing to operations in fiscal year 2003.

Foreign Domestic International is home to our distribution activities in the European mail markets. The British regulatory authority, Postcomm, has granted us an initial license that will allow us to operate in the British mail market. We will also expand our mail activities in the Netherlands: we have established the conditions necessary to do so by acquiring Interlanden B.V. and forming a joint venture with its parent company, Wegener N.V.

In the area of value added services, we have restructured our national and international activities and concentrated them in the Solutions International Business Division. We define "value added services" as complex individual solutions for our business customers, such as the outsourcing of a company's entire internal mail processing system. At present, the operational units of this Business Division include subsidiaries that were previously allocated to the national Business Divisions. These subsidiaries include PrintCom, which offers hybrid mail services, MERKUR Direktwerbegesellschaft mbH & Co. KG and Deutsche Post In Haus Service GmbH, the market leader for the outsourcing of internal mail processing.

Declining advertising spending impacts mail market

Despite the weak economy, the German market for mail communication was stable in 2002 with revenue of €7.8 billion. Our market share is still solid at 94.3%, although competition increased in individual segments. Our competitors were able to increase market share in two areas in particular: local mail delivery by third parties (local post) and the transport of mail not covered by the exclusive license (exceeding 200g). The market shares for individual segments are shown in the diagram below.

A harmonized mail market does not currently exist in Europe; deregulation is occurring in individual European countries in different ways and at differing speeds. We are thus leveraging our opportunities to access interesting European mail markets. Our first steps in this direction have led us to the UK and the Netherlands – two countries that have already opened their mail markets, which are among Europe's five largest, to foreign competitors.

The German advertising market also suffered in the face of the weak economy in 2002. This market recorded a forecast volume of €40.5 billion. The volume of the narrower definition of the direct marketing segment, the segment consisting of advertising mail, telemarketing and e-marketing that is relevant to our business, remained close to its prior-year level with a volume of €13.3 billion; our share in this market totals 15.7%.

The weak economy also caused decreases in circulation, particularly in the specialist financial press, which in turn led to an overall shrinking of the market for press product distribution. This market recorded a forecast volume of 20.1 billion items in the year under review, compared with approximately 21 billion items in the previous year. We have an 11.0% share of this highly fragmented market.

Revenue remains stable

At €11,666 million, revenue in the MAIL Corporate Division remained at the prior-year level (€11,707 million) in fiscal year 2002. Revenue per business day remained at €47.0 million, while revenue per employee rose from €85,400 to €89,400.

Revenue in the Mail Communication Business Division remained stable at a high level, totaling €7,280 million after €7,367 million in the previous year. Thanks to our increased focus on our business customers, sales in this segment even increased slightly by 0.8% despite the weak economic development. This increase is shown in the second table on page 57.

Market share held by Mail Communication's competitors in Germany

Source: Deutsche Post AG

Revenue by Business Division

in €m	2001	2002	Change in %
Mail Communication	7,367	7,280	-1.2
Direct Marketing	2,072	2,066	-0.3
Press Distribution	841	823	-2.1
Internal revenue	1,427	1,497	4.9
Total	**11,707**	**11,666**	**-0.4**

PrintCom made a particularly positive contribution to the Mail Communication Business Division, generating significantly higher revenue with hybrid mail as a result of increased customer acquisitions. For example, we produced and distributed voter notification cards for around 100 municipal and local authorities in the run-up to the German federal elections.

We tapped new revenue potential with mail-related service and supplementary products for our business customers. With our product Mailoptimizer, for example, we simplified postage franking for our major customers and introduced a cashless payment alternative via a customer card.

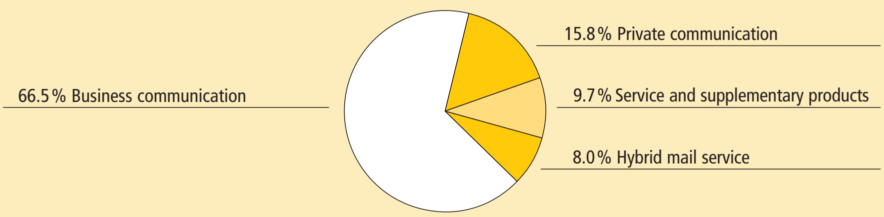
Mail Communication (Deutsche Post AG share)

millions of letters	2001	2002	Change in %
Business customer letters	7,725	7,785	0.8
Private customer letters	1,568	1,472	-6.1
Total	**9,293**	**9,257**	**-0.4**

In contrast to these positive results, we recorded a decline in private customer business. Our customers initially used the period up to June 30, 2002 to use up their supplies of stamps denominated in DM, but did not build up new reserves to a corresponding extent because of the price cuts announced for January 1, 2003.

In the Direct Marketing Business Division, we generated revenue of €2,066 million and were thus able to maintain the prior-year level (€2,072 million). We consider this a major success in light of the difficult situation on the advertising market. Sales volumes declined by 1.0 billion to 9.0 billion advertising mailings. Although sales in the higher-priced area of addressed mailings (Infopost/Infobrief) were stable,

Revenue: Mail Communication Business Division (Deutsche Post AG share)



sales volumes of partly and unaddressed mail (Postwurf Spezial/Postwurfsendung) decreased. Although this decrease was planned in order to increase the average price, it was also brought about by economic factors. In the area of value added services, we recorded growth with products such as Mailingfactory, which allows small and mid-sized business customers to design their own direct marketing campaigns via an Internet portal.

Direct Marketing (Deutsche Post AG share)

millions of items	2001	2002	Change in %
Infopost/Infobrief (addressed advertising mailings)	5,470	5,451	-0.3
Postwurfsendung/Postwurf Spezial (unaddressed mail/partly addressed mail)	4,567	3,593	-21.3
Total	**10,037**	**9,044**	**-9.9**

The weak market for press products led us to a decline in the Press Distribution Business Division: sales volumes decreased by 0.1 billion to 2.2 billion items, and revenue dropped from €841 million in 2001 to €823 million in the year under review.

Earnings develop as expected

With revenue at approximately the prior-year level, the profit from operating activities (EBITA) totaled €1,658 million after €1,960 million in the previous year. This decline in earnings is primarily due to a significant increase in costs compared with revenue. For further details, please see the "Business Developments" section of the Group Management Report, page 32.

The return on sales of 14.2% was in line with our expectations.

Investments in modern technology

Investments decreased slightly from €369 million in the previous year to €342 million in fiscal year 2002. They were primarily used to replace vehicles and operating assets.

We also invested in technical equipment for our 83 mail sorting centers. In addition to improving reading techniques as well as final delivery sorting, we optimized the related databases for the coding and sorting programs. This led to yet another increase in sorting quality. We also increased the degree of automation to 88% after an already high value of 87% in the previous year. This figure ranks very highly in international comparisons.

J+1: transit time for letters that indicates the percentage of letters that are delivered to their recipients on the first workday after they were handed over to Deutsche Post.

Further increase in quality

Quality remains a high priority for us. In 2001, we were able to maintain our J+1 transit time at the high level of 95% despite workflow interruptions caused by letters suspected of containing anthrax. In the year under review, this figure was well over 95%. We also succeeded in achieving an even shorter transit time for addressed

advertising mail: almost 97% of these mailings were delivered to their recipients four days after they were handed over to Deutsche Post (fiscal year 2001: 96%).

In order to meet the needs of our customers even more effectively, we have restructured our sales organization according to branches of industry. The individual sales units – from Key Account Management through to the Direct Marketing Center – are now even more focused on our customers' specific needs and usage patterns.

Outlook

Two external factors will influence our mail business in fiscal year 2003: firstly, the price cuts that have been ordered by the regulatory authority will take effect as of January 2003, resulting in a drop in annual revenue and earnings of approximately €300 million. Secondly, the weight limit for letters in our exclusive license area will be lowered from 200g to 100g as of January 2003 – this will further intensify competition on the German mail market.

We intend to limit the impact of these external factors. We have developed the following countermeasures within the framework of our Group-wide value creation program, STAR: we will reduce the number of flights in our overnight airmail network, promote business in the Foreign Domestic segment and generate additional revenue with innovative products. We will also make price adjustments in unregulated areas and optimize our procedures for emptying mailboxes. From 2003 through 2005, we intend to use these value-enhancing measures to offset the forecasted decrease in earnings.

In doing so, we will fully adhere to the Post-Universaldienstleistungsverordnung (PUDLV – Postal Universal Service Ordinance).

Post-Universaldienstleistungsverordnung: this ordinance was issued in 1999 and decrees to what extent and under what quality standards letters, parcels and press products must be transported within Germany and in Europe.

Increasing deregulation is providing us with opportunities to access additional European mail markets. We will examine these opportunities in our new Foreign Domestic International and Solutions International Business Divisions, taking into account individual market and regulatory situations, and pursue them with the appropriate resources. We aim to achieve a strong position in the key European markets and thus further expand our market leadership in Europe.

EXPRESS Corporate Division

Our solution: All global services under a sing

The EXPRESS Corporate Division provides domestic and international parcel and express delivery services as well as cross-border mail transport. Deutsche Post World Net is one of the leading international providers in both of these areas. At the end of 2002, we increased our interest in DHL International Limited (DHL), the global market leader for express business, to 100%. We have now assumed full management control, and are increasingly leveraging market- and cost-side synergies. For the first time ever, the EXPRESS Corporate Division was responsible for the largest share of total revenue: around 30% in fiscal year 2002.

EXPRESS Corporate Division [1]

		2001	2002	Change in %
Total revenue	in €m	6,421	12,489	94.5
Profit from operating activities (EBITA)	in €m	176	243	38.1
Return on sales [2]	in %	2.7	1.9	
Investments	in €m	325 [3]	3,759	1,056.6
Employees calculated as FTEs, excluding trainees	as of Dec. 31	47,456	107,453	126.4

1) For a detailed explanation of the Corporate Division's financial development, please see the "Business Developments" section of the Group Management Report, page 32f
2) EBITA / revenue
3) Restatement of prior-period amounts due to reallocation of the retail outlets (see item 9 in the Notes)

Single umbrella brand for express services

In the year under review, the EXPRESS Corporate Division consisted of four Business Divisions: Express Germany and Express Europe offer high-performance products and perfect service for parcel and express transportation in Germany and more than 20 European countries. Global Mail provides cross-border mail services with direct links to more than 140 countries around the world. DHL's global courier and express dispatch activities are grouped together in the Worldwide Express Business Division.

le, strong name

DHL was included in consolidation for the first time in the year under review. Its integration gives us the opportunity to leverage additional synergies. In order to achieve this, we will combine all of our express and logistics activities under the DHL brand name in fiscal year 2003. This decision reflects the brand's extremely high profile, and adds the vital factor of internationalism to our traditional strengths of dependability, reliability and reputability. DHL has been active on the market for time-critical deliveries for more than 30 years and operates a global network of bases in more than 220 countries and territories.

We will harmonize our previously independent cross-border networks in Europe, firstly in individual countries and then, in a second phase, within Europe as a whole. Our goal is to establish an integrated distribution network which optimally combines overland and air transportation across the whole of Europe. We have already demonstrated the success of such integration with Euro Express, which is now the largest ground-based parcel distribution network in Europe.

Our reporting structure will remain largely unaffected by these integration measures. The most significant change affects the Eurocargo Business Unit, which will be transferred from the LOGISTICS Corporate Division to the EXPRESS Corporate Division as of January 1, 2003.

Concentration heightens competition

With revenues totaling €10.9 billion (2001), the German courier, express and parcel services (CEP) market is the largest in Europe. Our comprehensive service offering makes us the most important single provider on this market (see diagram below). Competition in the business customers segment remains more intensive than for private customers. In this segment, therefore, we are focusing on the strategic advantages of being a global player: our comprehensive service offering enables us to meet the requirements of international groups such as Bosch, HP or Philips.

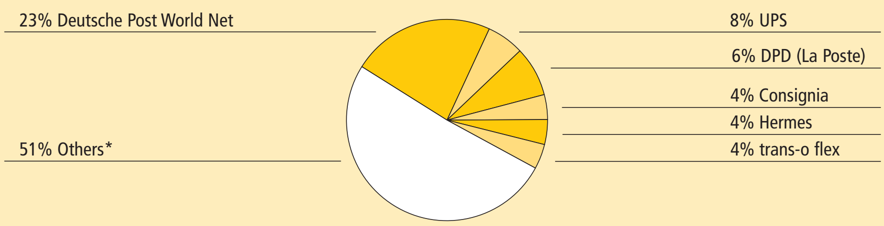
In Europe, the CEP market is still highly concentrated (see diagram on page 63). Deutsche Post World Net has consolidated its position as the leading provider in this field, not least through the integration of DHL. In 2001, we once again occupied the top spot with a 16% share of a European market that is worth €34 billion overall.

The market volume for cross-border mail amounted to €12 billion in 2001 (see diagram on page 64). The market was impacted by two factors during the fiscal year. Firstly, it continued to suffer from the ongoing stagnation of the global economy. Secondly, the terrorist attacks on September 11, 2001 led to rising fuel prices and higher security premiums. This, in turn, resulted in rising transport costs, which could only partially be passed on to customers.

There has also been an increase in concentration on this market, which has led to a heightened level of competition. Alliances, mergers and acquisitions have created new players that can act globally and employ aggressive sales policies to shape the market. The customer side is also experiencing increasing concentration, with a smaller and smaller number of major customers controlling the press distribution market, for example. With our market share of 14%, we were able to expand our position as one of the leading global providers of cross-border mail services in 2001.

The market for air-based global courier and express business recorded below-average growth in the US and Europe in the year under review, whereas the Asia-Pacific region still has substantial growth potential.

German CEP market 2001



Market volume: €10.9 billion

* Including TPG
Source: Data Monitor study (European Courier and Express Delivery Market 2001) and Deutsche Post AG

Increase in revenue due to DHL consolidation

In fiscal year 2002, total revenue for the EXPRESS Corporate Division rose by 94.5% to €12,489 million. This growth was primarily due to the first-time consolidation of DHL. On a comparable basis, revenue approximately matched the previous year's level.

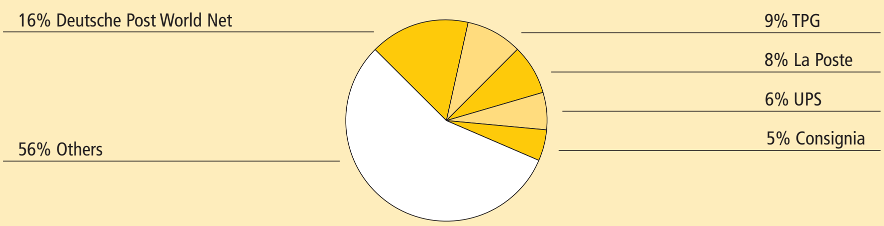
Revenue by Business Division

in €m	2001	2002	Change in %
Express Germany	2,795	2,796	0.0
Express Europe	2,054	1,941	-5.5
Global Mail	1,315	1,239	-5.8
Worldwide Express	–	6,162	
Internal revenue	257	351	36.6
Total	**6,421**	**12,489**	**94.5**

In the Express Germany Business Division, we succeeded in increasing volumes, while revenue, at €2,796 million, remained stable as compared to the previous year (€2,795 million). The retail outlet customer segment profited among other things from the continuing growth of Internet auction houses, such as eBay.

Revenue in the Express Europe Business Division fell year-on-year from €2,054 million to €1,941 million. This reflects a one-time effect that arose in 2001 due to a change in the Securicor group's fiscal year. In 2001, the end of the group's fiscal year was changed from September 30 to December 31, which meant that the results for 2001 contained revenue generated over 15 months instead of 12. In fiscal year 2002, the companies included in consolidation changed: the Spanish company Guipuzcoana Euro Express was fully consolidated for the first time as from October after we increased our holding from 49% to 51%. At the same time, however, several smaller business units that were transferred to the LOGISTICS Corporate Division at the beginning of the year are no longer included in consolidation. Positive revenue effects from operations resulted from the increase in dispatch volumes at Euro Express in Italy, Spain and Portugal.

European* CEP market 2001



Market volume: €34 billion. Total European market volume: €38.3 billion

* Belgium, France, Germany, Italy, the Netherlands, Spain and the UK
Source: Deutsche Post AG

Our Global Mail Business Division recorded a year-on-year drop in revenue of 5.8% to €1,239 million. While cross-border mail bound for Germany continues to fall, we succeeded in increasing Infopost (addressed advertising mailings) dispatch volumes and revenue from foreign customers. To help us better meet the requirements of this target group, we bundled our international mail business activities at the beginning of the year: Deutsche Post Global Mail took over the previous DHL product WorldMail and has since been responsible for processing these deliveries using its own network. This has significantly boosted our international market position in this area.

In 2002, the Worldwide Express Business Division contributed €6,162 million to consolidated revenue. Thanks to our global network, we were able to offset poor market conditions, especially in the United States, with positive developments in the Asia-Pacific region in particular.

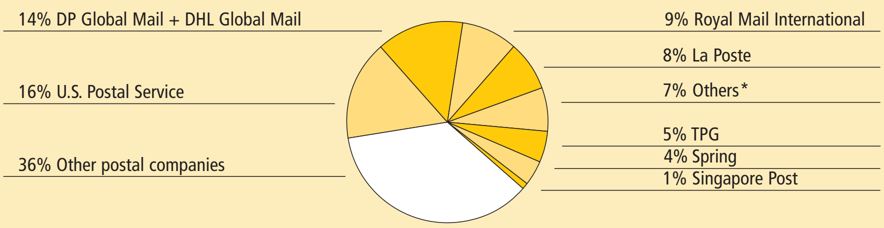
Increase in earnings

In fiscal year 2002, the EXPRESS Corporate Division generated a profit from operating activities (EBITA) of €243 million, representing a return on sales of 1.9%. For detailed information on earnings development, please see the "Business Developments" section of the Group Management Report, page 33.

Strengthening our global market position

In the year under review, investments totaling €3,759 million were made in the EXPRESS Corporate Division. In the Express Germany Business Division, we pressed ahead with the replacement of our vehicle fleet. Investments in the Express Europe Business Division focused on renewing automatic sorting systems in individual hubs and depots, as well as building new terminals in the Benelux countries and Spain. We expect to complete four new terminals in Spain and replace current leasing arrangements by the end of 2004. In the year under review, DHL took further steps toward renewing its aircraft fleet by ordering 34 Boeing 757 aircraft. In addition, a major single investment in the Worldwide Express Business Division related to our new express logistics center in Tokyo, which opened in October 2002. Total space of around 18,000m² and cutting-edge technology make this center the largest and most modern of its kind in Japan. With it, DHL can now further enhance the quality of its services for customers in the Asia-Pacific region and strengthen its position in this growing market.

Global cross-border mail market in 2001



Market volume: €12 billion

* Others: Mercury 1%, UK consolidators 2%, US consolidators 2%, others 2%
Source: UPU Statistics 2001, Deutsche Post AG

As of January 31, 2003, DHL acquired the Canadian logistics arm of Mayne Group, Ltd., Australia, Mayne Group Canada, thereby systematically strengthening its position in the North American market for ground-based express delivery.

UNEX (Unipost External Monitoring System), commissioned by the International Post Corporation, measures transit times for cross-border priority mail items in Europe from the time they are handed over to the service provider to their delivery.

Quality and flexibility for our customers

In globalized markets, the winners are those players who can act quickly and reliably. Deutsche Post World Net again had among the fastest mail transit times within Europe according to a study of international companies carried out by UNEX: over the last few years, we have reduced the average transit time for letters by around one day to 2.2 days.

Our PACKSTATION delivery service enables us to meet our customers' demands for a flexible system for collecting deliveries; recipients of parcels can now decide for themselves where they would like to have them delivered. Business customers making use of this service now include Deutsche Telekom, Profectis – Germany's largest electrical customer service operation for the retail trade – and Roche-Diagnostic. In addition, we have expanded our mail order services to include specific industry solutions and bundled them in our own competence center.

Outlook

Our aim is to generate both volume growth and above-average profitability on the German and European CEP markets on the strength of our superior quality and services. Structural improvements within the Group will contribute to this significantly: by merging networks in Europe that previously operated in parallel to one another, we will substantially improve our performance in the express and logistics business.

To achieve this, we will be taking the following measures: we will harmonize and concentrate our product portfolio under the DHL brand name. This will serve to simplify our internal processes, give our marketing and sales activities greater focus, and increase the transparency of our offerings for customers. On the cost side, we will bundle our purchasing power, relocate the Deutsche Post Euro Express and Danzas administrative centers to the DHL site in Brussels, and merge our 18 existing regional data centers to create three or four global ones. In this way, we will put the DHL brand at the heart of our global express and logistics business.

In addition, we intend to open further sales offices for cross-border mail in Europe, a segment where we want to be the number one global player.

LOGISTICS Corporate Division

Our solution:
One port of call for all logistics

Deutsche Post World Net's LOGISTICS Corporate Division implements complex logistics solutions for customers all around the world. We recognized at an early stage that, given the highly fragmented nature of the logistics market, only globally active providers offering a wide range of services could survive. Consequently, we acquired the Danzas group in 1999, thereby laying the foundations for the Group's logistics activities. Danzas boasts an international logistics platform with high-performance IT systems. In 2002, the LOGISTICS Corporate Division contributed around 22% of consolidated revenue. By bringing together our Group-wide express and logistics services under the DHL brand name, we will be able to leverage existing growth potential even more efficiently in future.

LOGISTICS Corporate Division [1)]

		2001	2002	Change in %
Total revenue	in €m	9,153	9,152	0.0
Profit from operating activities (EBITA)	in €m	159	224	40.9
Return on sales [2)]	in %	1.7	2.4	
Investments	in €m	448	381	-15.0
Employees calculated as FTEs, excluding trainees	as of Dec. 31	45,036	45,250	0.5

1) For a detailed explanation of the Corporate Division's financial development, please see the "Business Developments" section of the Group Management Report, page 33
2) EBITA / revenue

One-stop global logistics

In the LOGISTICS Corporate Division, we aim to meet the growing demand among high-quality goods manufacturers for comprehensive, one-stop logistics services. The Solutions Business Unit takes over the management of the entire supply chain, from the procurement, storage and packaging of goods, right through to invoicing and order processing; we also ensure that information and goods flows are tightly interlinked. Our expertise is focused on selected industry sectors: automotive, pharma/

services

healthcare, electronics/telecommunication, fast moving consumer goods, and textiles.

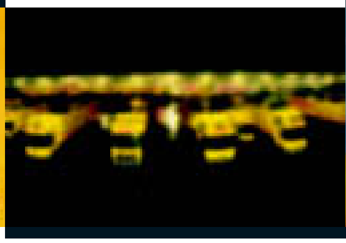
Fast Moving Consumer Goods: consumer goods required on a day-to-day basis which must be shipped quickly, such as food, drinks, and cleaning materials.

The air and ocean freight activities of the Intercontinental Business Unit connect all of the world's commercial centers. We do not maintain our own air and ocean fleet; instead, we buy loading space and charter capacity as required. Integrated value added services for coordinating and monitoring goods flows are becoming increasingly important. We have also been successful in the area of complex project shipping for a number of years, with a particular focus on industrial and energy projects.

The services provided by the Eurocargo Business Unit cover general domestic and European cargo traffic, full loads carried by road and rail, and specialties such as trade fair logistics. All in all, we have 180 transshipment centers across Europe, which we intend to incorporate within an integrated European distribution network as part of the Group-wide bundling of express and logistics activities. In order to implement this quickly and efficiently, Eurocargo will be transferred from the LOGISTICS Corporate Division to the EXPRESS Corporate Division effective from January 1, 2003.

Outsourcing of logistics services offers potential

The market for logistics services has changed in recent years. Industry has started to produce and sell its goods in more and more countries around the world. The complexity of goods flows is increasing – and so, too, are requirements for workflow management. If companies were to organize their own logistics activities, this would



mean substantial investment using funds which could be better employed for strengthening their core business. As a result, a growing number of companies are coming to the conclusion that outsourcing their logistics services is the right solution for them.

Deutsche Post World Net is benefiting from this trend. We have developed IT systems to monitor goods flows at all times, manage the flow of information, and incorporate all of the units involved in the logistics chain from procurement to distribution. Thanks to this special expertise and the leveraging of synergies within the Group, we were able to further strengthen our position in the various segments of the logistics market in 2002.

Our position on the highly fragmented market for contract logistics – which we define as the granting of longer-term logistics contracts as part of outsourcing – is stable. However, growth in this market has been slowed for the time being by the ongoing weakness of the economy and the consumer reluctance this has triggered, particularly in Europe.

This also applied to the air freight market; in the first half of 2002, demand for volume fell, leading to overcapacity. The weak economic situation also saw a certain shift in customer demand from air freight to the cheaper alternative, ocean freight. Thanks to our leadership on the air freight market we benefited directly from the recovery in transportation volumes in the second half of the year. Viewed over the year as a whole, the market for ocean freight developed more positively than in 2001.

The market for European overland transport also suffered from weak demand – particularly in the key German market – and increased pressure on margins.

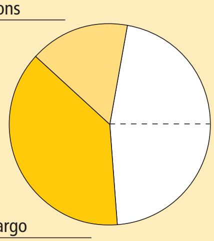
Danzas' market share *

Exel	2.8%
TNT Logistics	2.4%
Tibbett & Britten	1.8%
Ryder	1.2%
Hays Distributions	1.1%
Danzas Solutions	**1.1%**
UPS Logistics	1.1%

Market volume: €130 billion

Danzas Eurocargo	**5.6%**
Schenker-BTL	5.6%
Geodis	3.4%
DSV	3.0%
Dachser	2.5%
ABX	2.5%

Market volume: €59 billion



Air freight

Danzas AEI	**6.2%**
Nippon Expr.	4.9%
Exel	4.7%
Panalpina	3.3%
Kühne & Nagel	3.0%

Market volume: €20 billion (IATA)

Ocean freight

Kühne & Nagel	5.9%
Danzas AEI	**5.1%**
Schenker	3.3%
Panalpina	3.3%
Expeditors	1.8%

Market volume for forwarding: TEU15 million (twenty-foot equivalent units)

* Based on the figures for fiscal year 2001
Source: Logistik 2000, IATA, DKWR, Drewry Container Market Review, and Danzas

Revenue remains stable

Overall, the LOGISTICS Corporate Division reinforced its position in 2002, primarily through acquisitions. Lower freight prices and the weakness of the US dollar, which hit the Intercontinental Business Unit particularly hard, could only be partially offset by volume growth. All in all, revenue in the Corporate Division remained stable year-on-year at €9,152 million.

Revenue by Business Unit

in €m	2001	2002	Change in %
Solutions	1,468	1,492	1.6
Intercontinental	4,390	4,233	-3.6
Eurocargo	3,295	3,427	4.0
Total	**9,153**	**9,152**	**0.0**

In the Solutions Business Unit, we won a number of major outsourcing contracts and increased revenue by 1.6% to €1,492 million, as the following table shows:

Solutions: revenue by sector

in €m	2001	2002	Change in %
Automotive	99	92	-7.6
Pharma/Healthcare	68	65	-4.4
Electronics/Telecommunication	487	502	3.1
Fast moving consumer goods	543	551	1.5
Textiles/Fashion	226	235	4.0
Other	45	47	4.4
Total	**1,468**	**1,492**	**1.6**

Revenue in the Intercontinental Business Unit fell year-on-year from €4,390 million to €4,233 million. Although freight volumes picked up over the course of the year, this was not enough to fully offset the impact of low prices and unfavorable exchange rates.

In the Eurocargo Business Unit, the first-time full consolidation of Kelpo Kuljetus and the first-time consolidation of the Cargoplan/Cargoline group, as well as the incorporation of a number of smaller business units from the EXPRESS Corporate Division had a positive effect on business development. In the year under review, the Business Unit generated an increase in revenue of 4.0% to €3,427 million.

Strong increase in profits

Profit from operating activities (EBITA) grew at a higher rate than revenue in fiscal year 2002, from €159 million to €224 million. In line with planning, we further increased the return on sales from 1.7% to 2.4%. For further information on earnings development, please see the "Business Developments" section of the Group Management Report, page 33.

The integration of the acquisitions made in recent years also had a positive effect on the earnings and cost situation. Our work in this area is bearing fruit: the companies which we acquired in 2001 and 2002, whose activities are primarily local in nature, now form a concrete part of our global network. These companies previously worked exclusively for Air Express International (AEI), a leading air freight service provider which we took over in 2000. The more or less complete integration of these units has served to successfully complement and strengthen our Intercontinental Business Unit.

Full load transport: complete loads are transported between points which are specified by the customer.

Consolidated loads: individual shipments transported overland, both domestically and internationally, are collected at warehouses and consolidated into complete loads. Such loads are always transported between two terminals.

Strategic investment in high-performance technology

In 2002, investments decreased by 15.0% to €381 million. They were primarily channeled into the development of specific IT systems for logistics in order to safeguard one of our major competitive advantages. In addition, we expanded our activities with a number of smaller units.

Eurocargo added full load transport to its European network for consolidated loads. We also improved network management in this area by employing new technologies.

Individual customer commitment

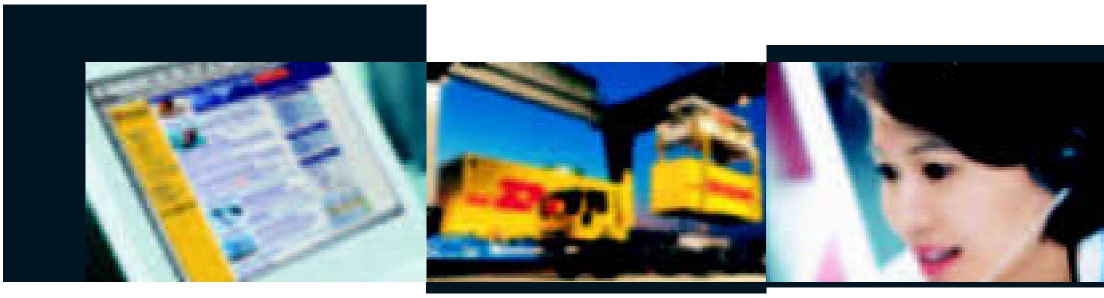
We are expanding our customer contact management activities all the time. For global companies with comprehensive requirements, we are increasingly employing specialist teams which can offer our customers exclusive strategic and operational support.

We are meeting the increasing demand for sector-specific supply chain management solutions by developing best practice models for selected sectors. We have introduced cross-divisional conferences for various sectors in order to pass on knowledge within the Group and promote its exchange with external experts.

We are also expanding our service offering in order to meet the demands of the market. In 2002, for example, we entered into an alliance with SPAN International for the electronics/telecommunication and automotive sectors, allowing us to offer highly specialized solutions for manufacturing supply.

NVOCC (Non-Vessel Operating Common Carrier): a transport company that carries goods by sea in its own name, and generally also issues its own bills of lading, but does not own any shipping space.

We were able to fill strategic gaps in our global network. As well as strengthening our market position in Eastern Europe with the integration of the Cargoplan/Cargoline group, we experienced considerable success in the Chinese growth market, where Deutsche Post World Net is one of the few international logistics providers with A licenses and certification to operate as an NVOCC. This means that we are allowed to exercise direct control over all logistics and transport services we perform in China.



Outlook

We expect to see new revenue and income potential in the Solutions Business Unit, as manufacturers and retailers in most sectors of industry are increasingly focusing on their own core activities. This means that parts of the logistics supply chain will be outsourced to service providers to an even greater extent. Since procurement, production and sales are all becoming increasingly global in their nature, the demand is for logistics providers who can offer their customers value added services and also follow them into new markets. Our focus on key sectors such as automotive, textiles / fashion and electronics / telecommunication allows us to offer our customers best-practice solutions; at the same time, by bundling our express and logistics activities, we are also able to provide them with global logistics solutions on an even wider scale than before.

We are forecasting that ocean freight volumes will increase at a higher rate than global GDP. We also expect prices to increase as against fiscal year 2002. In the light of the escalating conflict in Iraq, it is difficult to make estimates of future price and volume trends on the air freight market. For the time being, we expect volumes to remain essentially unchanged, with the possibility of a slight increase in the second half of the year.

In terms of individual regions, we expect the further expansion of activities in the Asian region in particular to provide new momentum for both ocean and air freight. China and India are the particularly promising growth markets in this region. In our opinion, our strong positioning gives us every opportunity to expand our overall market position. At the start of 2003, for example, we formed a joint venture in India in cooperation with Lemuir, which allows us to offer air and ocean freight services, as well as warehousing and domestic distribution, to customers across the whole of India.

In the Eurocargo Business Unit, which will be included in the EXPRESS Corporate Division for reporting purposes from 2003, we believe that there is growth potential in the area of road and rail transportation to and from Eastern Europe. However, forecasts for Western Europe are rather muted; we expect the key German market in particular to stagnate.

All in all, customer requirements for overland transportation are also increasing. As well as fast service, customers are looking for providers who can offer IT expertise, an international presence, and the ability to help them with planning and designing logistics processes. We consider ourselves to be well-equipped to meet these demands in conjunction with the other Group units. We are aiming to slightly outperform the market in 2003 in terms of overall growth.

FINANCIAL SERVICES Corporate Division

Our solutions: Offerings tailored combined with the expertise of

Postbank is the high-performance brand of the FINANCIAL SERVICES Corporate Division. With more than ten million private, business and corporate customers, Postbank occupies a strong position in Germany. Our core business is retail banking – business with private customers. In accordance with the Post-Universal-dienstleistungsverordnung (PUDLV – Postal Universal Service Ordinance) – the statutory regulations applicable to the mail business in Germany – Deutsche Post World Net must maintain a nationwide retail outlet network. This network is of great benefit to us and our customers in the FINANCIAL SERVICES Corporate Division in particular. Postbank is a multi-channel bank, which means that our customers are free to decide how and when they perform their banking transactions: in our retail outlets, over the telephone, by post, or over the Internet. And starting in 2003, our customers will also be able to call on our mobile sales units.

FINANCIAL SERVICES Corporate Division [1]

		2001	2002	Change in %
Revenue and income from banking transactions	in €m	8,876 [2]	8,872	-0.1
Profit from operating activities (EBITA)	in €m	522 [2]	621	19.0
Investments	in €m	360 [2]	377	4.7
Cost/income ratio	in %	83.6	77.7	
Return on equity (RoE)	in %	9.4	10.7	
Employees calculated as FTEs, excluding trainees	as of Dec. 31	35,729 [2]	34,082	-4.6

1) For a detailed explanation of the Corporate Division's financial development, please see the "Business Developments" section of the Group Management Report, page 34
2) Restatement of prior-period amounts due to reallocation of the retail outlets (see item 9 in the Notes)

Retail bank for private customers – specialist for corporate customers

Our product range is divided among the following Business Divisions: Services and Loans, Savings and Mutual Funds, Insurance Products, Mortgages, Business Services, Corporate Banking and Easytrade. Easytrade is our direct brokerage offering that has already attracted 450,000 customers.

We offer our private and business customers a clearly structured range of self-explanatory products. Modern technology and mass production allow us to provide

to specific target groups, a logistics professional

our products to customers at low prices while still operating profitably. For products requiring in-depth consultation, our strategy is to focus on particularly profitable sectors such as insurance and investments.

In the Corporate Banking segment, we provide large companies with relationship banking services as well as supplementary customized financial services. We also develop specialized forms of finance for this target group. Logistics finance is one example of how we put our Group-wide expertise to work for our customers. Recently, we also began offering card-based payment transactions for the retail sector.

In addition to Postbank, FINANCIAL SERVICES includes the retail outlets as well as the Pension Service. This Service handles payments for the statutory pension and accident insurance funds in Germany as well as for various occupational pension providers, in addition to providing general and administrative services in this area.

Offering tailored to specific target groups resists market weakness

The trend towards consolidation continued in Germany’s financial sector in 2002. The weakness on the international stock exchanges dampened overall demand in securities trading. Private investors in particular appeared uncertain and showed renewed interest in traditional investment products. As a result, the shakeout in the direct brokerage market continued.

Postbank has adjusted its offering for private and business customers to take account of the ongoing difficult market conditions. We know that our customers are informed and sophisticated; compared with other financial institutions, we serve an exceptionally large proportion of well-educated salaried employees and self-employed individuals with high household incomes. In times of uncertainty on the stock exchanges, the demand for investment alternatives rises. Our response: innovative savings products such as DAX Sparbuch, a passbook that features a guaranteed minimum interest rate and a supplementary bonus if the DAX 30 develops positively.

Logistics finance is increasingly proving itself the growth driver in the Corporate Banking segment. This development accompanies the trend towards outsourcing, from which our LOGISTICS Corporate Division benefits directly. Our Financial Logistic Solutions enable us to fulfill our goal of offering one-stop, end-to-end solutions. We don't just manage parts of the logistics supply chain – we arrange its financing as well.

Low interest rates impact revenue

The Corporate Division's income fell slightly year-on-year from €8,876 million to €8,872 million, while Postbank recorded a 1.4% decrease in income. This was primarily due to the sustained low interest rates on the money and capital markets in 2002. This decrease did not have any direct impact on earnings because it was accompanied by a reduction in interest expense.

Earnings rise again

Bucking the market trend, we succeeded in increasing our earnings once again: after €522 million in the previous year, our profit from operating activities (EBITA) rose 19.0% to €621 million in the year under review. Please see the "Business Developments" section of the Group Management Report, page 34, for details on the development of income and expenses.

Postbank's cost/income ratio improved by 5.9 percentage points to 77.7%; this was due to a greater increase in the division's income than in its expenses.

The return on equity (RoE) rose 1.3 percentage points year-on-year to 10.7%. This ratio serves as a measure of the profitability of the equity that has been utilized. It increased due to the fact that earnings improved once again.

Growth recorded for all banking products

In the checking accounts business, the number of private checking accounts grew from 3.75 million in the previous year to 3.94 million in the year under review. This corresponded to growth of 5.1%. The number of corporate checking accounts grew 2.0% to 374,000 in the year under review. Direct banking also continued to expand, with a 29.0% increase in the number of accounts managed online and a 22.7% increase in the number of telephone banking accounts.

In our investment and deposit business, we distinguish between customer investment fund accounts and brokerage accounts held with Postbank Easytrade. We were able to increase the total number of accounts by 2.1% to 694,000. However, this could not offset the downturn on the international capital markets: Postbank fund assets fell by a total of 15.0% to €2.9 billion in the year under review. In order to realize synergies in brokerage account management, we transferred 165,000 investment fund accounts to Postbank Easytrade in the middle of the year. As a result, the number of brokerage accounts held with Easytrade rose to a total of 446,000.

Postbank at a glance

		2001	2002	Change* in %
Private checking accounts	millions	3.75	3.94	5.1
Corporate checking accounts	millions	0.37	0.37	2.0
Online banking	millions	1.02	1.32	29.0
Telephone banking	millions	1.79	2.20	22.7
Brokerage accounts (Postbank Easytrade)	millions	0.28	0.45	59.9
Accident insurance	thousands	59.6	74.4	24.8
Life insurance	thousands	80.5	200.2	148.9
Savings deposits	in €bn	32.4	35.7	10.1
Fund assets	in €bn	3.4	2.9	-15.0
Private loans	in €bn	0.7	0.9	26.5
Building loans	in €bn	13.3	15.2	14.3
Corporate customer lending business	in €bn	19.0	20.0	4.9

* Percentage change based on unrounded figures

The deposit business recorded very encouraging development. Savings volumes were up 10.1% year-on-year to €35.7 billion thanks to new products such as the DAX Sparbuch and SparCard 3000 plus direkt.

The positive trend that characterized the lending business in 2001 continued in the year under review: the volume of private loans granted by us rose 26.5% to €937 million. Despite continued weakness in the construction industry, the private building loans business also recorded strong growth once again. We were able to increase the volume of residential building loan commitments by 35.0% year-on-year to almost €2.6 billion. Our residential building loan portfolio increased by 14.3% to €15.2 billion.

We also recorded an increase in lending business with our corporate customers. New lending business totaled €6.3 billion, resulting in an increase in total lending volume of 4.9% to €20.0 billion in the period under review. Property financing was once again successful. Our domestic and international commercial finance portfolio increased to a total volume of €4.7 billion.

All key products for logistics finance have been developed and launched since 2000. Logistics finance and related forms of finance such as leasing and factoring grew 100% to a volume of €800 million in 2002. We won a number of new customers in this area, including the Lidl & Schwarz group. Our US subsidiary PB Capital Corporation developed according to plan. This company forms our platform for logistics finance in North America. At Group level, we are already working closely together with the logistics units DHL and Danzas. The most recent product of this collaboration is cash forwarding, a combination of transport and factoring that we developed together with DHL.

Factoring: a financing transaction in which a financial service institution (factor) purchases its customers' accounts receivable on a one-time or regular basis.

The insurance business, which we began in 1999, also demonstrated encouraging development. PB Versicherung was able to increase the number of new policies in its accident segment by 24.8%, and life insurance policies surged 148.9% as a result of the arrival of the new Riester products. We sold around 109,000 policies for Riester products by the year's end and are thus the most successful provider of these products among the banks.

Expansion of information technology and risk management

Information technology and risk management were the focus of our investments in 2002. The first module of the standard software for banks that we developed together with SAP was implemented in November. This module facilitates the management of customer master data. We have completed the development of and successfully tested an additional module for account management, which will be implemented in 2003. The new software enables us to process large numbers of accounting entries quickly and cost-effectively. We are also improving our IT architecture in the area of multi-channel banking. In the future, we will offer our customers a uniform range of services via all sales channels while still leveraging the individual strengths of our retail outlets, the Internet and the telephone. In addition, we implemented new risk management instruments in the areas of foreign currency, securities trading and the lending business.

Competence center created for financial assets

In the spring Postbank Financial Services GmbH (PFS) in Frankfurt am Main commenced operations. With this step, we are continuing to develop our expertise in the area of portfolio and asset management and are concentrating capacities that were previously spread across different locations close to the stock exchange in Frankfurt. PFS advises and manages our public and special funds, develops new investment products and assumes an active role as the Group's financial service provider. At the same time, we have concentrated our risk management activities for the money, foreign currency and capital markets in Frankfurt. This will allow us to realize synergies from the in-depth information exchange that occurs between portfolio managers and risk managers.

Our retail outlets: addresses for one-stop-shopping

Every day, we serve two to three million people in our retail outlets – the outlet network is thus an important element in our multi-channel strategy. The following table contains additional facts about our outlets. Their traditional product range has been

Retail outlet network: trends

		2001	2002	Change in %
Retail outlets	number	12,818	12,683	-1.1
Average weekly opening hours (per outlet)	in hours	42	42	
Proportion of customers served in open service outlets	in %	78	80	
Employees in retail outlets	headcount	45,000	41,300	-8.2
Own retail outlets	headcount	23,300	21,900	-6.0
Partner outlets	headcount	21,700	19,400	-10.6
Customer satisfaction with retail outlets				
Subjective satisfaction [1] (customer survey)	in %	84 [2]	81	
Objective satisfaction [3] (EMNID test customer satisfaction survey)	in %	90	89	

1) Customer survey
2) Value from IPSOS study adjusted to Kundenmonitor survey
3) Test customers

expanded to include telecommunications services and a residence service, which handles matters such as electricity contracts. In the future, the residence service is expected to be expanded to include a relocation and address registration service, which is already being tested as a pilot project. At the same time, we are fulfilling our customers' demand for 24-hour service: around 5,000 postage stamp machines and 7,600 ATMs (including Cash group) allow for quick self-service.

Cash Group: a joint ATM network consisting of Commerzbank, Deutsche Bank, Dresdner Bank, Postbank and HypoVereinsbank.

Quality for our customers

Our customers value Postbank's high standards of quality. Postbank scored high marks once again in the German customer survey "Kundenmonitor Deutschland 2002", ranking second among all banks and savings banks.

Customers also continue to report high levels of satisfaction with the service they receive in the retail outlets (see table on page 76). We are taking comprehensive measures to reverse the slight decline in customer satisfaction in 2002 that was due to longer waiting times caused by the changeover to the euro. Our goal for 2003 is to increase customer satisfaction once again.

Leveraging our strengths to achieve additional increases in earnings

We will do everything in our power to further increase our profit from operating activities in 2003. In addition to generating another rise in net interest income and net fee and commission income, we plan to intensify business with corporate customers in particular: while payment transactions will remain an important component, we will judiciously expand our lending business with the help of our new risk management instruments. We will also establish logistics finance as a major pillar of our business – we expect to see positive developments in this area following the integration of the Group's express and logistics activities under the umbrella of the DHL brand.

We will also reach out to our private customers on an even more individual basis in the future and have further developed our sales concept to help us achieve this: with modern, multi-channel banking, we will continue to offer customers our complete range of products with the same high quality, regardless of whether they are purchased in our retail outlets, online, or over the telephone. By intensifying the links between these sales channels, we will combine regional accessibility with centralized sales and marketing expertise.

In addition to this, we are developing the new Postbank Vermögensberatung AG, a personalized financial and investment consultancy for high net worth individuals. To this end, we acquired two subsidiaries from Credit Suisse (Deutschland) AG in December 2002. Customers of Postbank Vermögensberatung AG will have access to an expanded product range featuring direct investments in equities, bonds, certificates and options.

These customers will also be able to choose whether they prefer to be advised in our retail outlets or in their own offices or homes. With around 100 highly qualified consultants, we will institute mobile sales units to supplement our outlet sales network in 2003.

At present, our outlet network comprises around 12,700 outlets. In the future, we will adjust our network to changes in customer demand while strictly adhering to the provisions of the PUDLV. Our outlets will remain the most important sales channel for us as well as our customers in the future.

Glossary

Basel II
The revised Basel Capital Accord that seeks to make the capital adequacy requirements for banks more risk-sensitive than the original 1988 Accord. It also reflects recent developments on the financial markets and in risk management techniques.

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.

Cash Group
A joint ATM network consisting of Commerzbank, Deutsche Bank, Dresdner Bank, HypoVereinsbank and Postbank.

CEP market
Market for courier, express and parcel services.

Consolidated loads
Individual shipments transported overland, both domestically and internationally, are collected at warehouses and consolidated into complete loads. Such loads are always transported between two terminals.

Contract logistics
Granting of longer-term logistics contracts to logistics service providers.

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 brokerage
Online/direct securities brokerage business.

E-commerce
Electronic commerce: commerce via the Internet.

Exclusive license area / Exclusive license
In accordance with the Postgesetz (German Postal Act), Deutsche Post AG has the exclusive license (which will expire at the end of 2005) to transport letters and addressed catalogs weighing less than 100g and costing less than three times the standard rate. Exceptions include the transportation of letters with identical content weighing more than 50g and higher-value services providing special features. As of January 1, 2006, the exclusive license (which will expire at the end of 2007) will be lowered to 50g and two-and-a-half times the standard rate.

Factoring
A financing transaction in which a financial service institution (factor) purchases its customers' accounts receivable on a one-time or regular basis.

Fast Moving Consumer Goods
Consumer goods required on a day-to-day basis which must be shipped quickly, such as food, drinks, and cleaning materials.

Final delivery sorting
Automatic sorting of machine-readable letters according to carrier route.

Full load transport
Complete loads are transported between points which are specified by the customer.

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.

Global sourcing
Strategic procurement concept with an international focus. A cross-border search is conducted for suitable suppliers that meet specific quality, time and price requirements.

Hybrid mail
Mail is received electronically as a file, printed and delivered as a letter.

J+1
Figure for the transit time for letters that indicates the percentage of letters that are delivered to their recipients on the first workday after they were handed over to Deutsche Post.

Multi-channel bank
A bank that markets its products and services using several sales channels.

Non-Vessel Operating Common Carrier (NVOCC)
A transport company that carries goods by sea in its own name, and generally also issues its own bills of lading, but does not own any shipping space.

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.

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.

Pick-up & delivery (network)
In addition to delivering mail from their vehicles, parcel deliverers pick up mail from customers in their delivery area.

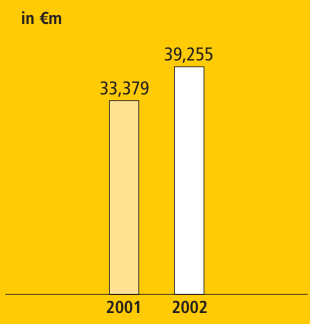
Postal Universal Service Ordinance (PUDLV – Post-Universaldienstleistungsverordnung)
This ordinance was issued in 1999 and decrees to what extent and under what quality standards letters, parcels and press products must be transported within Germany and in Europe.

Regulatory Authority for Telecommunications and Posts (RegTP – Regulierungsbehörde für Telekommunikation und Post)
Created on January 1, 1998 as the successor to the Bundesministerium für Post und Telekommunikation (BMPT – Federal Ministry of Posts and Telecommunications) and the Bundesamt für Post und Telekommunikation (BAPT – Federal Office for Posts and Telecommunications); regulates the German postal and telecommunications market.

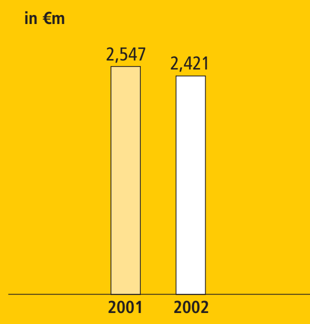
Supply Chain Management
The offering of complete logistics solutions tailored to the industry-specific needs of particular customers and covering the entire logistics chain.

UNEX (Unipost External Monitoring System)
Commissioned by the International Post Corporation, this measures transit times for cross-border priority mail items in Europe from the time they are handed over to the service provider to their delivery.

Revenue

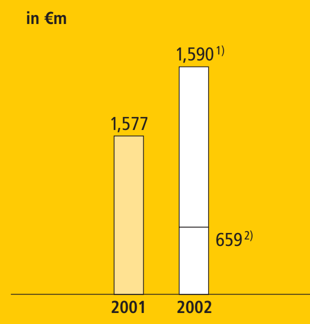


EBITA*



* Profit from operating activities before goodwill amortization

Consolidated net profit



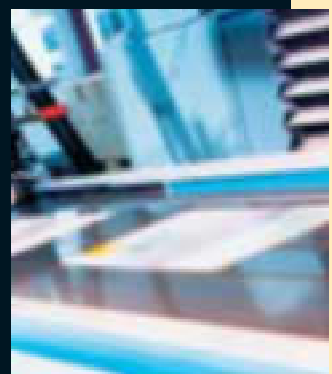
1) Consolidated net profit before minority interest and extraordinary expense
2) Consolidated net profit after minority interest and extraordinary expense

We offer our customers…

… global mail, express delivery and logistics services, as well as a wide-ranging financial services offering. Deutsche Post World Net is one of the largest and most powerful logistics providers in the world.

This service range is represented by a strong brand portfolio comprising Deutsche Post, DHL and Postbank, putting us in an excellent position to systematically and successfully leverage the superb opportunities which globalization and greater networking offer to logistics providers in particular.

Our Group-wide STAR program for value creation and integration aims to systematically realize these opportunities for our customers, our shareholders and our employees. To achieve this, we are using the global strength of the DHL brand, under which we are bundling our logistics and express activities. In order to be successful, we need our employees. Their unique knowledge, performance and readiness will continue to be the foundation for our success in future.



Milestones in 2002

January

Having received all antitrust approvals, Deutsche Post World Net acquires a majority interest of 50.64% in DHL International Limited, the global market leader for cross-border express delivery.

Danzas acquires the Cargoplan/Cargoline group, headquartered in Vienna, making it the leading logistics service provider in Austria and strengthening its presence in Eastern/Central Europe.

February

Following a successful pilot phase, the PACKSTATION delivery service is also made available to private customers. This service allows recipients of parcels to decide where these should be delivered: to their home, to a retail outlet, or to a PACKSTATION machine.

March

The European Parliament approves the amendment of the Postal Services Directive, and in so doing opens the door for the progressive deregulation of European postal services.

April

Deutsche Post World Net expands its leading position in the area of mail order services by developing specific industry solutions and bundling its expertise in a newly-formed mail order competence center.

May

The international rating agencies Moody's, Standard & Poor's and Fitch rate Deutsche Post World Net for the first time, and confirm the Group's financial strength.

June

At Deutsche Post's second Ordinary General Meeting, its shareholders approve an increase in the dividend of 37%, and authorize the Board of Management to buy back shares up to a total of 10% of the share capital.

Deutsche Post AG and the services union ver.di agree a new collective wage agreement. It is valid for 24 months from May 1, 2002 to April 30, 2004, and ensures planning reliability for a comparatively long period of time.

July

Deutsche Post World Net announces plans to work together with the Dutch direct marketing specialist Wegener in future, in both the addressed mail and unaddressed mail delivery segments.

The Regulierungsbehörde für Telekommunikation und Post (Regulatory Authority for Telecommunications and Posts) orders a reduction in postal charges for mail products requiring approval, effective from January 1, 2003.

The EU Commission rules that Deutsche Post must repay 907 million to the Federal Republic of Germany, which it allegedly received wrongly as state aid. Deutsche Post files an appeal against this ruling.

Deutsche Post World Net welcomes the implementation of EU law in German law: from the start of 2003, letters and addressed catalogs over 100g will be opened up to competition. Starting in 2006, the weight ceiling will be cut to 50g.

August

Deutsche Post World Net is involved in the Germany-wide charity appeal for the flood victims: we issue a special stamp, donate 1.5 million, make our vehicle fleet available for transportation and emergencies, and transport postbags to the areas hit by the flooding as an alternative to sandbags. Postbank grants special conditions for real estate loans to those living in affected areas; employees affected by the flooding are offered interest-free loans.

The British regulatory authority grants Deutsche Post Global Mail a license to deliver post within the United Kingdom. This represents our entry into one of the largest mail markets in Europe.

September

The German regulatory authority approves the new letter rates; they will come into force on the designated date of January 1, 2003.

The Philips electronics group commissions Deutsche Post Euro Express to handle the Europe-wide distribution of its parcels and pallets not only on a domestic basis, but also in cross-border distribution in 17 European countries.

October

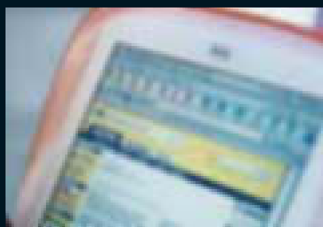
The first bond to be issued by Deutsche Post is received positively on the international financial markets. In order to meet the high level of investor interest, we increase the planned issuing volume and issue the bond in two tranches with different terms and interest rates.

The EU Commission approves our acquisition of the 25% of shares in DHL previously held by Lufthansa Cargo. This allows us to increase our holding to more than 75%.

Dr. Klaus Zumwinkel presents the Group-wide STAR value creation program, with which we aim to increase the Group's earnings to 3.1 billion by the end of 2005. As part of this process, DHL, Danzas and Deutsche Post Euro Express are to be fully integrated and incorporated under the single DHL brand in future.

November

DHL Worldwide Express announces its acquisition of the Canadian express service provider Loomis. This acquisition allows us to strengthen our position in the North American market for ground-based express delivery and to press ahead with our global growth strategy.



The 2002 season sees the end of Deutsche Post World Net's involvement in Formula 1. After three years of intensively leveraging this relationship, we have fulfilled all of our communications goals, and hence decide against extending our agreement with the Jordan team.

Van Gend & Loos Euro Express wins the Logistics Prize for the Netherlands. The jury pays tribute to the innovative service which has seen our subsidiary develop successfully from a pure transport company into a logistics service provider.

Postbank puts the first module of its standard software for banking transactions, developed in conjunction with SAP, into operation. This represents a milestone on Postbank's way towards becoming the cost leader in retail banking.

December

Postbank acquires two subsidiaries of Credit Suisse (Deutschland) AG. With the newly-formed Postbank Vermögensberatung AG, it supplements its outlet and online sales activities with mobile sales of its services.

Deutsche Post World Net acquires the remaining 24.4% interest in DHL. This means that we now fully own the company.

More than 2,000 Deutsche Post World Net employees move in to the new Group headquarters; at 163 meters, the Post Tower is the tallest office building in North Rhine-Westphalia.

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www.dpwn.de

April 2003
Mat. no. 675-200-126

Financial Report 2002

Income Statement +++ Balance Sheet +++ Cash Flow Statement +++ Notes

Achievements

that convince our shareholders

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

In the business world, the achievements that count are those that are clearly measurable. Which is why, at Deutsche Post World Net, we don't just look at size, we focus on profitability. The figures in the following annual financial statements prove that we are achieving sustained growth on the basis of solid financial structures. As we look back on fiscal year 2002, we are proud of and satisfied with our …

… Achievements

Deutsche Post World Net 2002 –
A Year of Achievements

-> change to folder ...solutions

At Deutsche Post, solutions only count if they get the right results.

Dr. Ernst, as the Board Member for Finance, what do you consider were the most significant events in fiscal year 2002?

‘First, we can state with absolute confidence that Deutsche Post World Net’s financial position continues to be extremely solid.

Our economic development in 2002 was impacted by various factors, only some of which were under our control.

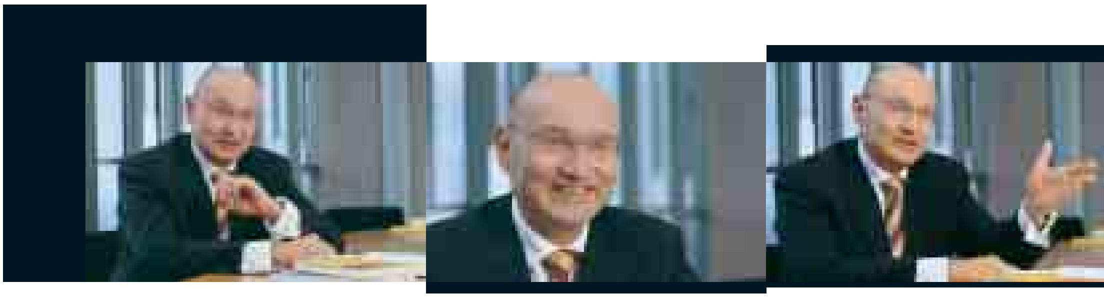
Then there is the first-time consolidation of DHL, which had a particularly noticeable impact on our annual financial statements. DHL is now responsible for around €6.2 billion of our consolidated revenue. The 100% takeover has led to a €707 million increase in financial liabilities on our balance sheet, although net gearing remains very low.

The European Commission’s state aid ruling also had a major financial impact on us in the year under review: this necessitated the recognition of a corresponding provision under other liabilities in the balance sheet, which was reflected as an extraordinary expense in the income statement and resulted in a reduction in the Group’s tax expense.

The payment of €907 million that we were ultimately required to make in January 2003 will be reflected as a decrease in cash and cash equivalents in the cash flow statement for Q1/2003. This will have no further impact on our income statement for the current year; in our balance sheet, however, cash and cash equivalents and other liabilities will decrease accordingly by €907 million, resulting in a de facto decrease in our total assets and liabilities. This will have a positive effect on the Group’s return on investment, among other things.’

All of these points relate to the consolidated financial statements. You are also disclosing Postbank “at equity”. Why?

‘In the “Postbank at equity” scenario, the balance sheet does not include Postbank’s assets and obligations. You can see that our consolidated balance sheet is heavily influenced by the items “Receivables and other securities from financial services” and “Liabilities from financial services”. These two items are due almost in their entirety to the deposit volume of and total credit extended by Postbank – overall, they constitute around 85% of balance sheet assets, equity and liabilities. This makes key Group figures, such as the capital ratio and Cash flow I, less meaningful.



Dr. Edgar Ernst
Board Member for Finance

This is why we have also prepared the income statement, cash flow statement and key figures under the "Postbank at equity" scenario. This gives the reader real value added information, since he or she is then better able to assess the Group's results of operations and financial strength.'

Are there any other fundamental changes in the 2002 financial statements compared with the previous year?

'Yes, we focused in particular on the item "Other/Consolidation". We removed the revenue generated by the retail outlets from this item and disclosed it in the FINANCIAL SERVICES Corporate Division for the first time in fiscal year 2002, i.e. we disclosed it in the Corporate Division which also bears the management responsibility for the retail outlets.

In addition, we completely reversed Postbank's remaining negative goodwill in the item "Other/Consolidation". As a result, this item will no longer have any effect on the income statement in the future.'

Do you plan to change other aspects of or add further elements to your financial reporting in the future?

'In addition to providing investors with all the relevant information they need to make their decisions, our reporting aims to clearly demonstrate that, for us, solutions only count for something if they produce the right results. Of course, we also always take current developments into account in our financial reporting. For example, we provided a more in-depth explanation of the Group's current pension expense and its resulting pension obligations in the Notes this year in order to create greater transparency.'

Consolidated Financial Statements in accordance with IASs

Solid financial position forms basis for increased earnings power and further growth

With the takeover of DHL, we generated yet another increase in our consolidated revenue and further expanded our position on the international markets. Despite an economically difficult operating environment, our earnings were higher than our intra-year projections had anticipated. Thanks to active management of our cash and cash equivalents, we have maintained our solid financial position and generated a clear improvement in the Group's liquidity. As a result, we have plenty of financial leeway and are thus optimally positioned to increase our earnings power and further expand our global growth strategy.

Income Statement

For the period January 1 to December 31

in €m	Note	Deutsche Post World Net 2001	Deutsche Post World Net 2002
Revenue and income from banking transactions	10	33,379	39,255
Other operating income	11	1,576	3,007
Total operating income		**34,955**	**42,262**
Materials expense and expenses from banking transactions	12	-16,039	-17,720
Staff costs *	13	-11,246	-13,772
Depreciation and amortization expense excluding goodwill amortization	14	-1,064	-1,403
Other operating expenses	15	-4,059	-6,946
Total operating expenses excluding goodwill amortization		**-32,408**	**-39,841**
Profit from operating activities before goodwill amortization (EBITA)		**2,547**	**2,421**
Goodwill amortization	16	-171	-449
Profit from operating activities (EBIT)		**2,376**	**1,972**
Net loss from associates	17	-130	-1
Net other finance costs	18	-99	-115
Net finance costs		**-229**	**-116**
Profit from ordinary activities		**2,147**	**1,856**
Income tax expense	19	-560	-266
Net profit for the period before minority interest and extraordinary expense	20	**1,587**	**1,590**
Minority interest	21	-10	-24
Extraordinary expense	22	0	-907
Consolidated net profit for the period		**1,577**	**659**
in €			
Basic and diluted earnings per share	23	1.42	0.59
Basic and diluted earnings per share before extraordinary expense		1.42	1.41
Dividend per share proposed or paid	24	0.37	0.40

* Prior-period amount restated (see note 7)

Balance Sheet

As of December 31

in €m	Note	Deutsche Post World Net 2001	Deutsche Post World Net 2002
Assets			
Noncurrent assets			
Intangible assets	25	1,787	5,076
Property, plant and equipment	26	8,395	9,085
Noncurrent financial assets	27		
Investments in associates		1,108	126
Other noncurrent financial assets		1,014	249
		2,122	375
		12,304	**14,536**
Current assets			
Inventories	28	163	214
Receivables and other assets	29	4,834	6,168
Receivables and other securities from financial services	30	135,904	137,641
Current financial instruments	31	39	3
Cash and cash equivalents		1,966	2,639
		142,906	**146,665**
Deferred tax assets	32	**1,491**	**1,446**
Total assets		**156,701**	**162,647**
Equity and liabilities			
Equity			
Issued capital	33	1,113	1,113
Reserves *	34	2,663	3,323
Consolidated net profit *	35	1,577	659
		5,353	**5,095**
Minority interest	36	**75**	**117**
Provisions			
Provisions for pensions and other employee benefits	37	6,627	6,292
Tax provisions	38	1,311	1,510
Other provisions	39	3,033	4,882
		10,971	**12,684**
Liabilities			
Financial liabilities	40	2,308	3,816
Trade payables	41	2,404	2,707
Liabilities from financial services	42	131,532	132,851
Other liabilities	43	4,058	5,377
		140,302	**144,751**
Total equity and liabilities		**156,701**	**162,647**

* Prior-period amount restated (see note 7)

Cash Flow Statement

For the period January 1 to December 31 in €m	Deutsche Post World Net 2001	Deutsche Post World Net 2002
Net profit before taxes and extraordinary expense *	2,147	1,856
Extraordinary expense	0	-907
Net profit before taxes	2,147	949
Gains on disposal of noncurrent assets	-139	-312
Depreciation and amortization expense	1,285	1,893
Non-cash income and expense *	258	-229
Net interest income	144	92
Net profit before changes in working capital	**3,695**	**2,393**
Changes in working capital		
Inventories	6	-4
Receivables and other assets	1,752	257
Current financial instruments	-7	32
Receivables and other securities / liabilities from financial services	-1,169	-1,757
Provisions	-246	1,552
Liabilities and other items	-898	377
Net cash from operations / Cash flow I	**3,133**	**2,850**
Interest paid	-194	-186
Interest received	46	104
Taxes paid	-81	-66
Net cash from operating activities / Cash flow II	**2,904**	**2,702**
Proceeds from disposal of noncurrent assets		
Divestitures	2	0
Other noncurrent assets	1,047	738
	1,049	**738**
Cash paid to acquire noncurrent assets		
Acquisition of companies	-1,240	-1,256
Other noncurrent assets	-2,228	-1,844
	-3,468	**-3,100**
Net cash used in investing activities	**-2,419**	**-2,362**
Proceeds from issue of financial liabilities	335	2,810
Repayment of financial liabilities	-460	-2,065
Dividends and other payments to owners	-300	-412
Net cash from (previous year: used in) financing activities	**-425**	**333**
Net change in cash and cash equivalents	60	673
Cash and cash equivalents at Jan. 1	1,906	1,966
Cash and cash equivalents at Dec. 31	**1,966**	**2,639**

* Prior-period amount restated (see note 7)

Statement of Changes in Equity

For the period January 1 to December 31

in €m	Issued capital	Reserves: Capital reserves*	Reserves: Retained earnings	Reserves: IAS 39 reserve	Consolidated net profit*	Total equity
Balance at Jan. 1, 2001	**1,113**	**296**	**1,214**	**238**	**1,512**	**4,373**
Capital transactions with owner						
Capital contribution from retained earnings						0
Dividend					-300	-300
Other changes in equity not recognized in income						
Currency translation differences			-3			-3
Other changes		48	-10	-332		-294
Changes in equity recognized in income						
Appropriation to retained earnings			1,212		-1,212	0
Consolidated net profit					1,577	1,577
Balance at Dec. 31, 2001	**1,113**	**344**	**2,413**	**-94**	**1,577**	**5,353**
Capital transactions with owner						
Capital contribution from retained earnings						0
Dividend					-412	-412
Other changes in equity not recognized in income						
Currency translation differences			-97			-97
Other changes		12	18	-438		-408
Changes in equity recognized in income						
Appropriation to retained earnings			1,165		-1,165	0
Consolidated net profit					659	659
Balance at Dec. 31, 2002	**1,113**	**356**	**3,499**	**-532**	**659**	**5,095**

* Prior-period amount restated (see note 7)

Notes to the Consolidated Financial Statements of Deutsche Post AG for the period ended December 31, 2002

1 Basis of accounting

The consolidated financial statements of Deutsche Post World Net for fiscal year 2002 were prepared in accordance with the International Accounting Standards (IASs, in future: "International Financial Reporting Standards" – IFRSs) adopted and published by the International Accounting Standards Board (IASB), and with the interpretations issued by the Standing Interpretations Committee (SIC, now renamed "International Financial Reporting Interpretations Committee" – IFRIC), required to be applied as of the reporting date.

The requirements of the standards applied have been satisfied in full, 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 policies, as well as the explanations and disclosures in the notes to the IAS consolidated financial statements for fiscal year 2002, are generally based on the same accounting policies used in the 2001 consolidated financial statements. The accounting policies are explained in note 5.

By publishing IAS/IFRS consolidated 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 the calendar year. Deutsche Post AG, whose registered office is in Bonn, 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 (€ million, €m).

2 Significant differences between International Accounting Standards and German accounting principles

The accompanying consolidated financial statements incorporate the following significant accounting policies 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 deducted directly from 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 and retirement benefit 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 43) are carried under liabilities.
- Foreign currency receivables and liabilities are translated at the closing rate, and the resulting changes in carrying amounts are recognized in the income statement.
- Deferred tax assets and liabilities are accounted for using the balance sheet approach on the basis of the enacted or expected tax rates applicable to future distributions.
- In accordance with IAS 39, all financial instruments, including derivatives, are recognized and measured at amortized cost or fair value, depending on the category to which they are assigned.
- In the case of finance leases, assets are capitalized and the residual liability is recognized as an expense 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, 2002 generally include all German and foreign operating companies in which Deutsche Post AG directly or indirectly holds a majority of voting rights. The companies are consolidated from the date on which Deutsche Post World Net is able to exercise control.

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

68 subsidiaries (December 31, 2001: 65) were not consolidated for reasons of materiality. Seven joint ventures (December 31, 2001: 8) were not consolidated because they were not material to the results of Deutsche Post World Net. 35 associates (December 31, 2001: 32) were carried at cost because they were of minor significance to the results of Deutsche Post World Net.

The following table gives an overview of significant companies consolidated for the first time, classified by the Group's Corporate Divisions:

Companies consolidated for the first time

	Equity interest in %	Date of first-time consolidation	Notes
LOGISTICS			
Cargoplan/Cargoline group with 14 companies	100	Mar. 1, 2002	Purchased
SGS group with 7 companies	100	Jan. 1, 2002	Purchased
EXPRESS			
DHL International Limited, Bermuda with 199 companies	100	Jan. 1, 2002	Purchase of additional equity interests

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

LOGISTICS

in €m	Cargoplan/Cargoline group	SGS group
Assets [1]	13	26
Liabilities and provisions [1]	7	18
Revenue [1]	29	31
Goodwill [2]	38	18

1) Amounts at December 31, 2002 2) Amounts at date of acquisition

Consolidated group

	Total 2001	German 2002	Foreign 2002	Total 2002
Number of fully consolidated companies				
at Jan. 1	**404**	**107**	**314**	**421**
Additions	39	3	34	37
Disposals	31	6	39	45
Change in method of consolidation	9	5	230*	235
at Dec. 31	**421**	**109**	**539**	**648**
Number of proportionately consolidated companies				
at Jan. 1	**43**	**2**	**41**	**43**
Additions	3	–	–	–
Disposals	1	–	–	–
Change in method of consolidation	-2	–	-14	-14
at Dec. 31	**43**	**2**	**27**	**29**
Number of companies accounted for at equity				
at Jan. 1	**38**	**6**	**15**	**21**
Additions	–	–	–	–
Disposals	1	1	3	4
Change in method of consolidation	-16	–	25	25
at Dec. 31	**21**	**5**	**37**	**42**

* relates primarily to DHL International with 199 companies

The first-time consolidation of DHL International had the following effect on the net assets, financial position and results of operations of the Group in the EXPRESS segment:

EXPRESS

in €m	DHL International
Assets [1]	3,682
Liabilities and provisions [1]	2,575
Revenue [1]	6,199

1) Amounts at December 31, 2002

DHL International has been consolidated as a subsidiary since January 2002. Deutsche Post AG acquired a further 53.6% interest in DHL International during the course of the year under review. This now gives us 100% of the shares of the global market leader in the international courier express business. The total purchase price for the interests acquired in 2002 amounted to €1,130 million. The aggregate goodwill resulting from the acquisitions amounted to €1,742 million as of December 31, 2002.

In September 2002, Deutsche Post AG acquired an additional 2% interest in the Spanish parcel delivery service Narrondo Desarrollo San Sebastián S.L. (Guipuzcoana), thereby giving us a majority interest. This means that the Group now holds a 51% interest in the Guipuzcoana group. Our interest in Guipuzcoana is now reported for the first time as an investment in a subsidiary in the consolidated financial statements. In previous years, the company was proportionately consolidated, reflecting our equity interest at the time.

Overall, we spent around €1.3 billion on acquisitions in fiscal year 2002. The purchase prices of the companies acquired were settled exclusively on a cash basis. The significant companies acquired contributed €21 million to Group EBITA in fiscal year 2002.

45 subsidiaries and four associates have been deconsolidated since December 31, 2001. Four companies were sold, 29 were merged and 12 were liquidated. This did not materially affect the Group's net assets, financial position and results of operations.

A list of significant subsidiaries, joint ventures and associates is presented in note 51. A complete list of Deutsche Post AG's shareholdings has been filed with the commercial register of the Bonn Local Court.

The following table provides information about material balance sheet and income statement items attributable to the significant joint ventures:

Joint ventures

in €m	2001*	2002*
Noncurrent assets	237	198
Current assets	198	165
Liabilities and provisions	154	153
Revenue	772	650

* Amounts at December 31

The consolidated joint ventures in 2002 related primarily to the companies of the Securicor group (Securicor Omega Holdings Ltd., United Kingdom) and DHL Sinotrans Express Ltd., China.

4 Foreign currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the functional currency method. The functional 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 ("foreign entities"). 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 currency translation 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:

Foreign currency translation

Country	Currency	Closing rates		Average rates	
		2001 €1 =	2002 €1 =	2001 €1 =	2002 €1 =
USA	USD	0.88130	1.04220	0.89347	0.944756
Switzerland	CHF	1.48290	1.45480	1.51038	1.467149
United Kingdom	GBP	0.60850	0.65000	0.62054	0.628732
Sweden	SEK	9.30120	9.15580	9.26121	9.158917

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 liabilities in the single-entity financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate. Currency translation differences are recognized in other operating income and expenses in the income statement.

5 Accounting policies

Revenue and expense recognition

Revenue and income from banking transactions, as well as other operating income, is generally recognized when services are rendered, the amount of revenue and income can be reliably measured and it is probable that the economic benefits from the transactions will flow to the Group.

Operating expenses are recognized when the service is utilized or when the expenses are incurred.

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. At 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. The write-downs are reversed if the reasons for the impairment losses no longer apply.

Goodwill, including goodwill from capital consolidation, is capitalized in accordance with IAS 22 and normally 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. Goodwill is regularly tested for impairment and is written down if there are indications of impairment.

In previous years, the only negative goodwill from the first-time consolidation of the Deutsche Postbank group was deducted from goodwill on the face of the balance sheet in accordance with IAS 22.64, and income from reversal was reported in the income statement under other operating income. This negative goodwill was reversed in full in fiscal year 2002. Further details can be found in note 8.

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 to 80
Technical equipment and machinery	3 to 13
Passenger vehicles	3 to 8
Trucks	3 to 8
Aircraft	15 to 20
Other vehicles	4 to 10
IT systems	3 to 10
Other operating and office equipment	4 to 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. The write-downs are reversed if the reasons for the impairment losses no longer apply.

Finance leases

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.

Noncurrent financial assets

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 normally reduced by straight-line amortization over the expected useful life of 15 to 20 years. The useful lives are determined and goodwill is regularly tested for impairment using the same procedures as for the goodwill of subsidiaries.

Other noncurrent financial assets include in particular investments in unconsolidated subsidiaries, financial instruments and other equity investments. Under IAS 39, noncurrent financial assets are classified as “available for sale” or “held to maturity”.

Available-for-sale financial instruments are carried at their fair value, where this can be measured reliably. Changes in fair value between reporting dates are generally recognized directly in the revaluation reserve. This reserve is reversed to income either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls more than temporarily below their cost. Held-to-maturity financial instruments are carried at amortized cost at the balance sheet date. Impairment losses are charged to income if the recoverable amount falls below the carrying amount.

Financial instruments classified as “loans and receivables originated by enterprise” (originated loans and receivables), which include long-term loans, continue to be measured at amortized cost.

Inventories
Finished goods and goods purchased and held for resale are carried at cost or at moving average prices. Valuation allowances are charged for obsolete inventories and for slow-moving goods.

Receivables and other assets
Unless held for trading, receivables and other assets are carried at amortized cost at the balance sheet date. Doubtful receivables are carried at their principal amount, less appropriate specific allowances. In addition to any necessary specific valuation allowances, global valuation allowances are charged to take account of identifiable risks from the general credit risk.

Current financial instruments
Current financial instruments are available-for-sale financial assets, and are carried at their fair values at the balance sheet date. Unrealized gains or losses from remeasurement are generally credited or charged directly to the revaluation reserve in equity. This reserve is reversed to income either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls more than temporarily below their cost.

Financial instruments held for trading and derivatives
All financial instruments held for trading and derivatives are assigned to the "trading" category. They are generally measured at their fair values, and all changes in fair value are recognized in income. Under IAS 39, all derivatives that do not satisfy the strict criteria for hedge accounting under IAS 39.142 are also measured at their fair values, with remeasurement gains and losses recognized in income. Fair value measurement is also applied irrespective of the effectiveness of the hedges. Note 45 contains detailed disclosures on hedges.

Receivables and other securities from financial services
Originated loans and receivables are carried at amortized cost. Purchased loans and receivables classified as "held to maturity" are measured at cost. Purchased loans and receivables classified as "available for sale" or held for "trading" are measured at their fair values. "Held-to-maturity" and originated securities are measured at amortized cost, while "available-for-sale" securities and securities held for "trading" are measured at their fair values.

Provisions
Provisions for pensions are measured using the projected unit credit method prescribed by IAS 19 for defined benefit plans. The interest component of pension expenses is reported under staff costs.

Other provisions are recognized for liabilities to third parties arising from past events, whose settlement is expected to result in an outflow of economic benefits and that can be measured reliably. They represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk and the time until settlement of the obligation. The interest cost on discounted staff-related provisions is carried under staff costs, while the interest cost on other discounted provisions is carried under net finance costs.

Liabilities
Liabilities are normally carried at their redemption amount.

Deferred taxes
Deferred taxes are calculated in accordance with IAS 12 (Income Taxes). Deferred tax assets result primarily from tax loss carryforwards at Deutsche Post AG and Deutsche Postbank AG. In compliance with IAS 12.24 (b) and IAS 12.15 (b), deferred tax assets or liabilities 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 or liabilities can be recognized for temporary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG and Deutsche Postbank AG as of January 1, 1996.

In accordance with IAS 12, 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 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%.

Contingent liabilities

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

6 Consolidation methods

The consolidated financial statements are based on the IAS 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, 2002 and audited 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.

Joint ventures are proportionately consolidated in accordance with IAS 31: assets and liabilities, and income and expenses, of jointly controlled companies are included in the consolidated financial statements in proportion to our 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 can exercise significant influence (associates) are carried at equity using the purchase method of accounting. Any goodwill is reported under investments in associates.

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

7 Application of IASs and SIC/IFRIC interpretations

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

In fiscal year 2002, we accounted for the executive stock option program for the first time on the basis of IFRS Exposure Draft ED 2: “Share-based Payment”, which provides for fair value accounting for stock options. This resulted in a €12 million increase in staff costs. Under the IASs, the change in the accounting policy applied to the executive stock option program requires the prior-period amounts to be restated. This resulted in a retrospective €6 million increase in staff costs and capital reserves for fiscal year 2001, accompanied by a corresponding €6 million reduction in consolidated net profit. Further details of the executive stock option program can be found in note 33.

8 Special factors

On completion of the restructuring program, the negative goodwill of the Deutsche Postbank group previously carried under intangible assets was reversed in full to income as of December 31, 2002. Income from this exceptional reversal amounted to €1,287 million and is disclosed in full in the Other/Consolidation segment in our segment reporting to enhance transparency.

Another special factor resulted from the transfer of real estate of Deutsche Post AG to a German Pension Trust (Deutsche Post Pensionsfonds GbR). €221 million was realized from the disposal of items of noncurrent assets resulting from the transfer of this real estate to the Pension Trust. Further details on the Pension Trust can be found in note 37.

We presented our STAR value creation program in fiscal year 2002. This aims to fundamentally restructure Deutsche Post World Net. Provisions of €1,077 million were recognized in this context for headcount reduction measures, early termination penalties payable due to the early termination of contracts, and the abandonment of assets and the resulting impairment losses. The objective of our STAR measures is to reduce and merge capacities at our European locations as part of the integration of Danzas, DHL and the Euro Express companies. Because this is a cross-segment value creation program, the expense from recognition of the provision is presented under Other/ Consolidation in our segment reporting. Further details can be found in note 39.

Under the terms of certain leasing transactions (qualified technical equipment – QTE leases), Deutsche Post AG leased the electronic sorting systems at mail and freight centers to various US companies. They are accounted for in accordance with SIC-27. Deutsche Post AG remains the beneficial and legal owner of all the assets included in the transactions when the contracts are entered into, and they remain available to the Company for its operating activities without any material restrictions.

Because the criteria set out in SIC-27.8 are met, the net present value benefit from the transactions was recognized immediately. This produced income of €136 million (previous year: €29 million), which was recognized in income in the MAIL and EXPRESS segments. This income is partially offset by expenses amounting to €40 million (previous year: €6 million).

A further special factor resulted from the application of IAS 19 at Van Gend & Loos B.V. (VGL). VGL has defined benefit plans that are funded through an independent pension fund. The positive development of the assets of the defined benefit plans resulted in a gain of €44.2 million, which was recognized in the income statement. Certain other Dutch Group companies are also involved in the pension fund to a minor extent in addition to VGL. The one-time gain for these companies amounted to €17 million.

Consolidated net profit was depressed by an extraordinary expense amounting to €907 million (see note 22). This resulted from the ruling by the European Commission on June 19, 2002 that Deutsche Post was required to repay €572 million plus interest of €335 million to the German government. The ruling by the European Commission is a unilateral act of law that imposes an obligation on Deutsche Post AG; on the basis of the grounds given by the European Commission in its ruling, it relates to matters in conjunction with the formation of Deutsche Post AG as of January 1, 1995. The Commission is alleging that Deutsche Post received illegal state subsidies in this amount and illegally used this money to offset loss-making business customer parcels activities between 1994 and 1998. This amount, totaling €907 million, is reported under other liabilities. The aggregate amount of around €907 million is reported as an extraordinary expense in the consolidated income statement. The liability was settled in January 2003.

9 Segment reporting

Segments by Corporate Division

in €m	MAIL		EXPRESS		LOGISTICS		FINANCIAL SERVICES		Other/ Consolidation		Group	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
External revenue	10,280	10,169	6,163	12,138	8,938	8,955	7,932[1]	7,869	66[1]	124	33,379	39,255
Internal revenue	1,427	1,497	258	351	215	197	944[1]	1,003	-2,844[1]	-3,048	0	0
Total revenue	11,707	11,666	6,421	12,489	9,153	9,152	8,876[1]	8,872	-2,778[1]	-2,924	33,379	39,255
Profit or loss from operating activities before goodwill amortization (EBITA)	1,960	1,658	176	243	159	224	522	621	-270[3]	-325	2,547[3]	2,421
Goodwill amortization	2	2	50	322	117	124	2	1	0	0	171	449
Profit or loss from operating activities (EBIT)	1,958	1,656	126	-79	42	100	520	620	-270[3]	-325	2,376[3]	1,972
Net income from associates	0	0	-141	-1	3	4	0	0	8	-4	-130	-1
Segment assets	4,414[1]	4,311	3,954[1]	8,651	5,330	4,601	137,051[1]	140,135	238[1]	-238	150,987	157,460
Investments in associates	0	0	1,082	104	26	22	0	0	0	0	1,108	126
Segment liabilities	1,020[1]	1,027	901[1]	2,043	2,097	1,602	133,479[1]	133,776	468[1]	1,030	137,965	139,478
Segment investments	369[1]	342	325[1]	3,759	448	381	360[1]	377	25[1]	-27	1,527	4,832
Depreciation, amortization and write-downs	518	394	288	833	255	271	125	277	49	77	1,235	1,852
Other non-cash expenses	115	216	45	168	90	52	197[1]	283	364[1]	1,183	811	1,902
Employees by segment[2]	143,847	137,617	47,774	106,767	44,904	46,784	36,802[1]	35,583	11,189[1]	10,668	284,516	337,419

1) Prior-period amounts restated due to the reallocation of retail outlet operations from Other/Consolidation to the FINANCIAL SERVICES segment
2) Number of employees calculated as averages for fiscal years 2002 and 2001 (FTEs)
3) Prior-period amounts restated (see note 7)

Segments by region

in €m	Germany		Europe excl. Germany		Americas		Asia/Pacific		Other regions		Group	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
External revenue	22,398	23,068	8,188	10,276	1,680	3,522	915	2,047	198	342	33,379	39,255
Segment assets	128,281	136,421	17,397	14,311	5,048	5,518	205	897	56	313	150,987	157,460
Segment investments	1,028	946	431	2,558	49	835	14	366	5	127	1,527	4,832

9.1 Segment reporting disclosures

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 World Net 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 the EXPRESS Corporate Division. EXPRESS includes DHL International with its 199 companies.

Reconciliation to EBITA of FINANCIAL SERVICES segment

in €m	Deutsche Postbank	Other*	2001 Total	Deutsche Postbank	Other	2002 Total
EBITA before consolidation effects	344	11	355	398	11	409
Reversal of negative goodwill	215	–	215	212	–	212
Reversal of hidden reserves	-48	–	-48	–	–	–
EBITA of FINANCIAL SERVICES segment	511	11	522	610	11	621

* As in fiscal year 2002, consists of the retail outlets, the retail outlet networks of McPaper und Deutsche Post Service- und Vertriebsgesellschaften, and the Pension Service

LOGISTICS

The LOGISTICS Corporate Division includes in particular the Danzas group, with 312 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 consists of Postbank's activities. This Corporate Division offers a wide range of standardized banking services, including payments, deposits, retail and corporate banking, fund products and investment securities services. The FINANCIAL SERVICES Corporate Division also includes the retail outlets, the retail outlet networks of McPaper and Deutsche Post Service- und Vertriebsgesellschaften, and the Pension Service.

The table above shows the reconciliation of Postbank's consolidated profit from operating activities (EBITA) to the EBITA of the FINANCIAL SERVICES segment.

Other/Consolidation

The amounts for the Corporate Divisions are presented after consolidating intersegment transactions, which are eliminated in the Other/Consolidation column. In addition to Group measures, such as the STAR program (€1,077 million) and the exceptional reversal of Deutsche Postbank AG's negative goodwill (€1,287 million), the Other/Consolidation column also includes amounts not attributable to specific Corporate Divisions, such as real estate and housing activities, and e-business.

9.2 Disclosures on the segment amounts by Corporate Division

- 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.
- The segment revenue and expense of the FINANCIAL SERVICES Corporate Division also include the Deutsche Postbank group's interest, fee and commission income and expense, because these are allocated to the business operations of this Corporate Division.
- Segment assets are composed of noncurrent assets (excluding noncurrent financial assets) 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 expenses from the recognition of provisions.

9.3 Disclosures on the segment amounts by region

- 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 (excluding noncurrent financial assets) and current assets (excluding income tax receivables, cash and cash equivalents and current financial instruments) of the individual regions. Segment assets also include purchased goodwill, which is generally allocated on the basis of 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.

Income statement disclosures

10 Revenue and income from banking transactions

Revenue and income from banking transactions is composed of the following items:

Revenue and income from banking transactions

in €m	2001	2002
Revenue	25,880	31,798
Income from banking transactions	7,499	7,457
	33,379	**39,255**

As in the prior-year period, there was no revenue or income from banking transactions in fiscal year 2002 that was generated on the basis of barter transactions.

The increase in revenue is due primarily to the inclusion of DHL International as a consolidated subsidiary (see note 3).

The further classification of revenue by Corporate Divisions (business segments) and the allocation of revenue and income from banking transactions to geographical regions is presented in the segment reporting (see note 9).

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

Income from banking transactions

in €m	2001	2002
Interest income		
Interest income from credit and money market transactions	3,665	3,555
Interest income from fixed-income securities and book-entry securities	2,877	2,557
Income from equities and other non-fixed-income securities	38	29
Other interest income	385	733
	6,965	**6,874**
Fee and commission income	**478**	**503**
Net trading income	**56**	**80**
	7,499	**7,457**

11 Other operating income

Other operating income is composed of the following items:

Other operating income

in €m	2001	2002
Income from the reversal of negative goodwill of Deutsche Postbank AG		
Systematic	215	212
Exceptional	0	1,287
Gains on disposal of noncurrent assets	228	402
Income from QTE leases	29	136
Income from currency translation differences	78	123
Income from the reversal of provisions	346	121
Rental and lease income	102	117
Income from prior-period billings	187	114
Insurance income	0	83
Work performed and capitalized	25	43
Income from investment securities and insurance business (financial services)	63	40
Income from loss compensation	20	32
Income from hedged loans and receivables	0	24
Income from vehicle center services	11	16
Income from accounting services	1	15
Income from fees and reimbursements	15	15
Income from housing management cost equalization	23	13
Income from the reversal of bad debt allowances	41	6
Income from recoveries on receivables written off	10	6
Income from the derecognition of liabilities	27	4
Income from Telekom cooperation agreement	30	0
Miscellaneous	125	198
	1,576	**3,007**

The increase in other operating income is due primarily to the reversal of the negative goodwill of Deutsche Postbank AG. Further details can be found in note 8.

Under the terms of QTE leases, Deutsche Post AG recognized income of €136 million in the MAIL and EXPRESS segments from lease and leaseback transactions involving technical facilities at sorting centers (see note 8).

The gains on the disposal of noncurrent assets also include the transfer of real estate to the Pension Trust.

12 Materials expense and expenses from banking transactions

The materials expense and expenses from banking transactions are composed of the following items:

Materials expense and expenses from banking transactions

in €m	2001	2002
Materials expense	10,584	12,634
Expenses from banking transactions	5,455	5,086
	16,039	**17,720**

The materials expense is broken down as follows:

Materials expense

in €m	2001	2002
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Office supplies	318	406
Goods purchased and held for resale	235	244
Fuel	310	358
Aircraft fuel	0	179
Other expenses	45	65
	908	**1,252**
Cost of purchased services		
Transportation costs	7,544	8,988
IT services	551	678
Maintenance costs	603	685
Cost of temporary staff	225	422
Commissions paid to postal agencies	322	215
Energy	154	163
Internally developed software	198	74
Prior-period expenses	0	22
Other purchased services	79	135
	9,676	**11,382**
	10,584	**12,634**

The increase in transportation costs is due primarily to the full consolidation of DHL International.

Expenses from banking transactions are composed of the following items:

Expenses from banking transactions

in €m	2001	2002
Interest expense on liabilities	2,445	2,293
Interest expense on securitized liabilities	2,193	1,769
Other interest expenses	693	888
Interest expense on hybrid capital	49	75
Fee and commission expense	75	61
	5,455	**5,086**

The €369 million reduction in expenses from banking transactions resulted primarily from lower interest rates.

13 Staff costs/Employees

Staff costs are composed of the following items:

Staff costs

in €m	2001	2002
Wages, salaries and compensation	8,571*	10,905
Retirement benefit expenses	1,195	1,131
Social security contributions	1,305	1,541
Welfare and assistance benefits	175	195
	11,246*	**13,772**

* Prior-period amount restated (see note 7)

The increase in staff costs was due primarily to the full consolidation of DHL International.

Staff costs relate mainly to wages, salaries and compensation, as well as all other benefits paid to employees of the Group for their services in the year under review.

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

Retirement benefit expenses include €645 million (previous year: €706 million) relating to contributions by Deutsche Post AG and €80 million (previous year: €68 million) relating to contributions by Deutsche Postbank AG to Bundes-Pensions-Service für Post und Telekommunikation e.V. In accordance with sections 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 compensation of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. Further details can be found in note 37. 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 employers.

The average number of employees of Deutsche Post World Net in the year under review, classified by employee groups, was as follows:

Employees

	2001	2002
Hourly workers	153,629	148,714
Civil servants	77,688	73,157
Salaried employees	85,493	147,393
Trainees	6,488	6,626
	323,298	**375,890**

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 at December 31, 2002 was 334,952 employees (December 31, 2001: 283,330 employees).

14 Depreciation and amortization expense excluding goodwill amortization

Depreciation and amortization charges are composed of the following items:

Depreciation and amortization expense

in €m	2001	2002
Amortization of intangible assets, excluding goodwill amortization	145	236
Depreciation of property, plant and equipment		
Buildings	194	238
Technical equipment and machinery	207	251
Other equipment, operating and office equipment	518	606
Aircraft	0	72
	1,064	**1,403**

Depreciation and amortization charges for fiscal year 2002 include impairment losses of €93 million (previous year: €7 million). €80 million of the impairment losses relates to land, and €13 million relates to intangible assets.

15 Other operating expenses

Other operating expenses are composed of the following items:

Other operating expenses

in €m	2001	2002
Addition to provisions	353	1,442
Rental and lease expenses	856	1,294
Public relations expenses	367	460
Legal, consulting and audit costs	374	429
Travel, training and incidental staff costs	247	318
Telecommunication costs	188	257
Insurance costs	54	190
Other business taxes	146	185
Cost of purchased cleaning, transportation and security services	109	180
Bad debt allowances and other write-downs on receivables	177	165
Allowance for losses on loans and advances (financial services)	102	137
Prior-period other operating expenses	101	113
Services provided by Bundesanstalt für Post und Telekommunikation	116	106
Entertainment and corporate hospitality expenses	51	95
Expenses from currency translation differences	69	94
Cost of asset disposals	89	81
Refunds and compensation payments	80	75
Voluntary social benefits	123	67
Warranty expenses	50	54
Contributions and fees	29	52
Current asset disposal losses	19	32
Customs duties not oncharged	0	32
Miscellaneous expenses	359	1,088
	4,059	**6,946**

The increase in other operating expenses is due primarily to the addition to provisions for the STAR program amounting to €947 million (plus €130 million contained in staff costs) and to the full consolidation of DHL.

Miscellaneous expenses include monetary transaction costs, expenses for housing management and donations.

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

16 Goodwill amortization

Goodwill amortization charges in fiscal year 2002 amounted to €449 million (previous year: €171 million). The increase in goodwill amortization charges was the result of the acquisitions in fiscal year 2002. The amortization charges include an impairment loss of €205 million charged on the goodwill of DHL US Ground Co., USA.

17 Net loss from associates

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

Equity-accounted investments

in €m	2001	2002
DHL International Limited	-140	0
trans-o-flex Schnell-Lieferdienst GmbH (trans-o-flex)	-2	-1
Other Group companies	12	0
	-130	**-1**

The improvement in the net loss from associates is primarily a result of the change in the method of consolidation of DHL International from January 1, 2002 (now fully consolidated).

18 Net other finance costs

The structure of net other finance costs is as follows:

Net other finance costs

in €m	2001	2002
Interest and similar expenses	-193	-211
Interest and similar income	44	114
Write-downs of financial instruments	-6	-43
Cost of loss absorption	-4	-15
Income from loans	5	8
Income from other equity investments	57	8
Income from profit pooling agreements	1	0
Miscellaneous	-3	24
	-99	**-115**

Income and expenses from the Deutsche Postbank group's banking transactions are not carried under net other finance costs. Income – in particular in the form of interest, fee and commission income, and income from equities and securities – is carried under revenue and income from banking transactions (see note 10), while expenses – in particular interest, fee and commission expenses – are carried under materials expense and expenses from banking transactions (see note 12).

19 Income tax expense

The income tax expense is composed of the following items:

Income tax expense

in €m	2001	2002
Current income tax expense	84	179
Current recoverable income tax	0	-63
	84	**116**
Deferred tax income from temporary differences	-64	-100
Deferred tax expense from the reduction in deferred tax assets from tax loss carryforwards	540	250
	476	**150**
	560	**266**

€88 million of the increase in the current income tax expense and €53 million of the increase in the current recoverable income tax is attributable to DHL International. The change in the income tax expense is due to the lower year-on-year reduction in deferred tax assets from tax loss carryforwards at Deutsche Post AG.

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

Reconciliation

in €m	2001	2002
Consolidated net profit before minorities and income taxes	**2,147***	**949**
Expected income tax expense	859	379
Deferred tax assets from temporary differences not recognized for		
Initial differences	-370	-216
Goodwill amortization	68	97
Restructuring provisions	0	378
Reversal of negative goodwill	-86	-598
Deferred tax liabilities not recognized for temporary differences	17	0
Deferred tax assets of foreign Group companies not recognized for tax loss carryforwards	20	138
Deferred taxes not recognized for losses at foreign investees	56	0
Effects from section 8b KStG	0	108
Differences in tax rates at foreign companies	-3	-14
Other	-1	-6
Effective income tax expense	**560**	**266**

* Prior-period amount restated (see note 7)

The effects from section 8b KStG (German Corporate Income Tax Act) relate primarily to equities and equity investments, as well as special funds of the Deutsche Postbank group, and the resulting additional reduction in tax loss carryforwards. Due to uncertainty about future utilization for tax purposes, no deferred tax assets were recognized for tax loss carryforwards and the recognition of restructuring provisions relating to certain foreign companies. The "Other" item contains the adjustments from the German Flood Victims Act, as well as tax-exempt income and non-allowable expenses.

The difference between the expected and the effective income tax expense is also due in particular to temporary differences between the carrying amounts in the IAS financial statements and in the tax accounts of Deutsche Post AG resulting from 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 opening tax accounts amount to €6.2 billion as of December 31, 2002 (previous year: €6.8 billion).

20 Net profit for the period before minority interest and extraordinary expense

Deutsche Post World Net recorded a net profit for the period before minority interest and extraordinary expense of €1,590 million. This amount includes the taxes at the reporting date in full. Adjusted for the tax effect of the extraordinary expense (tax income of €215 million), the reported net profit for the period before minority interest and extraordinary expense would have been €1,375 million.

21 Minority interest

The profit for fiscal year 2002 attributable to minority shareholders amounts to €31 million (previous year: €13 million), and losses attributable to minority shareholders amount to €7 million (previous year: €3 million).

22 Extraordinary expense

The extraordinary expense of €907 million is a result of the European Commission's state aid ruling. Further details can be found in note 8. This expense was recognized gross of the attributable taxes of €215 million.

23 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 2002 were €0.59 (previous year: €1.42).

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. There were 7,190,106 stock options for employees (previous year: 7,387,544) and 10,306,038 stock options for executives (previous year: 5,173,140) 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	2002
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	1,112,800,000
Consolidated net profit in €m	1,577*	659
Diluted earnings per share in €	1.42	0.59

* Prior-period amount restated (see note 7)

24 Dividend per share

A dividend of €445 million is being proposed for fiscal year 2002. Based on the 1,112,800,000 shares recorded in the commercial register, this corresponds to a dividend per share of €0.40. The dividend in the previous year amounted to €412 million, for a dividend per share of €0.37.

Balance sheet disclosures

25 Intangible assets

Changes in intangible assets in fiscal year 2002 are presented below, based on the opening balances in fiscal year 2001:

Intangible assets

in €m	Internally generated intangible assets	Purchased intangible assets	Goodwill	Negative goodwill	Advance payments	Total
Historical cost						
Opening balance at Jan. 1, 2001	340	396	3,072	-2,144	12	1,676
Changes in consolidated group	0	54	24	0	0	78
Additions	124	92	142	0	31	389
Reclassifications	0	3	0	0	-3	0
Disposals	63	69	49	0	4	185
Currency translation differences	0	1	55	0	0	56
Closing balance at Dec. 31, 2001	401	477	3,244	-2,144	36	2,014
Changes in consolidated group	171	159	1,220	0	0	1,550
Additions	228	146	1,158	0	48	1,580
Reclassifications	4	11	6	0	-3	18
Disposals	119	110	96	0	1	326
Currency translation differences	-7	-18	-188	0	0	-213
Closing balance at Dec. 31, 2002	**678**	**665**	**5,344**	**-2,144**	**80**	**4,623**
Amortization and impairment losses/Reversals						
Opening balance at Jan. 1, 2001	182	197	245	-430	0	194
Changes in consolidated group	0	46	0	0	0	46
Amortization and impairment losses	62	83	171	0	0	316
Reclassifications	0	0	0	0	0	0
Reversal of negative goodwill	0	0	0	215	0	215
Disposals	51	57	8	0	0	116
Currency translation differences	0	0	2	0	0	2
Closing balance at Dec. 31, 2001	193	269	410	-645	0	227
Changes in consolidated group	115	102	135	0	0	352
Amortization and impairment losses	115	121	449	0	0	685
Reclassifications	-1	2	1	0	0	2
Reversal of negative goodwill						
Systematic	0	0	0	212	0	212
Exceptional	0	0	0	1,287	0	1,287
Disposals	117	61	3	0	0	181
Currency translation differences	-6	-11	-22	0	0	-39
Closing balance at Dec. 31, 2002	**299**	**422**	**970**	**-2,144**	**0**	**-453**
Carrying amount at Dec. 31, 2002	**379**	**243**	**4,374**	**0**	**80**	**5,076**
Carrying amount at Dec. 31, 2001	208	208	2,834	-1,499	36	1,787

Only purchased concessions, industrial rights, licenses and similar rights and assets are reported under purchased intangible assets. Internally generated intangible assets relate exclusively to development costs for internally developed software. Research expenses of €15 million (previous year: €16 million) were recognized as expenses in fiscal year 2002.

The increase in goodwill carried as intangible assets is primarily a result of the acquisitions in fiscal year 2002, in particular the acquisition of additional interests in DHL International.

The negative goodwill at Deutsche Postbank AG was reversed in full. Further details can be found in note 8.

Goodwill is attributable principally to the following companies:

Goodwill

in €m	2002
Danzas group	1,840
DHL International	1,742
Other Group companies	792
	4,374

26 Property, plant and equipment

Changes in property, plant and equipment in fiscal year 2002 are presented below, based on the opening balances in fiscal year 2001:

Property, plant and equipment

in €m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Aircraft	Advance payments and assets under development	Total
Historical cost						
Opening balance at Jan. 1, 2001	7,188	2,061	3,491	0	206	12,946
Changes in consolidated group	2	3	11	0	0	16
Additions	126	181	678	0	112	1,097
Reclassifications	55	18	52	0	-125	0
Disposals	222	113	949	0	153	1,437
Currency translation differences	1	0	2	0	0	3
Closing balance at Dec. 31, 2001	7,150	2,150	3,285	0	40	12,625
Changes in consolidated group	531	438	540	712	7	2,228
Additions	194	126	656	407	29	1,412
Reclassifications	8	0	9	0	-30	-13
Disposals	402	51	476	170	11	1,110
Currency translation differences	-86	-41	-74	-40	-1	-242
Closing balance at Dec. 31, 2002	**7,395**	**2,622**	**3,940**	**909**	**34**	**14,900**
Depreciation and impairment losses						
Opening balance at Jan. 1, 2001	1,251	865	1,842	0	1	3,959
Changes in consolidated group	1	-1	8	0	0	8
Depreciation and impairment losses	194	207	518	0	0	919
Reversal of impairment losses	0	0	0	0	0	0
Reclassifications	0	0	-1	0	1	0
Disposals	57	67	533	0	0	657
Currency translation differences	-1	0	2	0	0	1
Closing balance at Dec. 31, 2001	1,388	1,004	1,836	0	2	4,230
Changes in consolidated group	174	257	438	228	0	1,097
Depreciation and impairment losses	238	251	606	72	0	1,167
Reversal of impairment losses	0	0	0	0	0	0
Reclassifications	-4	-1	2	1	0	-2
Disposals	98	31	377	45	2	553
Currency translation differences	-19	-20	-60	-25	0	-124
Closing balance at Dec. 31, 2002	**1,679**	**1,460**	**2,445**	**231**	**0**	**5,815**
Carrying amount at Dec. 31, 2002	**5,716**	**1,162**	**1,495**	**678**	**34**	**9,085**
Carrying amount at Dec. 31, 2001	5,762	1,146	1,449	0	38	8,395

Leased assets

in €m	Land and buildings		Technical equipment and machinery		Operating and office equipment		Aircraft		Total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Carrying amount of leased assets	57	135	3	21	25	25	0	339	85	520
Minimum lease payments due										
Less than 1 year	9	22	1	7	9	13	0	1	19	43
1 to 5 years	23	22	1	11	16	7	0	326	40	366
More than 5 years	30	31	0	1	0	1	0	0	30	33
	62	**75**	**2**	**19**	**25**	**21**	**0**	**327**	**89**	**442**

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 items of property, plant and equipment in progress at the balance sheet date for whose production internal or third-party costs have already been incurred.

Items of property, plant and equipment pledged as collateral have a total carrying amount of €540 million (previous year: €5 million). Purchase commitments of €210 million (previous year: €56 million) were entered into for items of property, plant and equipment.

The table above presents an overview of leased assets where the Group is the beneficial owner.

27 Noncurrent financial assets

Compared with the market rates of interest prevailing at December 31, 2002 for comparable financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognized in the balance sheet at a present value of €21 million (previous year: €19 million). The principal amount of these loans totals €45 million (previous year: €46 million). For all other originated financial instruments, there were no significant differences between the carrying amounts and the fair values. There is no significant interest rate risk because the instruments largely bear interest at floating market rates of interest.

Investments in associates and other investees were subject to restraints on disposal in the amount of €4 million (previous year: €37 million).

Changes in noncurrent financial assets in fiscal year 2002 are presented below, based on the opening balances in fiscal year 2001:

Noncurrent financial assets

in €m		Available for sale			Originated loans				
	Investments in associates	Investments in subsidiaries	Noncurrent financial instruments	Other equity investments	Loans to subsidiaries	Loans to other investees	Housing promotion loans	Other loans	Total
Historical cost									
Opening balance at Jan. 1, 2001	500	10	4	82	0	3	20	34	653
Changes in consolidated group	0	-7	0	0	0	0	0	5	-2
Additions	808	114	47	12	0	708	3	1	1,693
Reclassifications	0	0	6	-6	0	0	0	0	0
Disposals	115	0	4	34	0	0	4	5	162
Currency translation differences	0	0	0	0	0	0	0	0	0
Closing balance at Dec. 31, 2001	1,193	117	53	54	0	711	19	35	2,182
Changes in consolidated group	78	19	0	0	-723	14	0	-2	-614
Additions	107	50	5	14	6	47	3	22	254
Reclassifications	-1,222	-122	0	0	756	-756	0	0	-1,344
Disposals	20	0	5	24	27	5	1	1	83
Currency translation differences	-2	-2	0	0	0	0	0	-1	-5
Closing balance at Dec. 31, 2002	**134**	**62**	**53**	**44**	**12**	**11**	**21**	**53**	**390**
Impairment losses									
Opening balance at Jan. 1, 2001	41	0	0	0	0	0	0	0	41
Changes in consolidated group	0	0	0	0	0	0	0	0	0
Impairment losses	44	0	6	0	0	0	0	0	50
Gains taken directly to equity	0	0	4	28	0	0	0	0	32
Losses taken directly to equity	0	0	1	0	0	0	0	0	1
Reclassifications	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	0	0	0	0	0	0
Closing balance at Dec. 31, 2001	85	0	3	-28	0	0	0	0	60
Changes in consolidated group	-79	3	0	0	0	0	0	0	-76
Impairment losses	2	0	30	0	0	0	0	0	32
Gains/losses taken directly to equity	0	0	4	2	0	0	0	0	6
Reclassifications	0	-3	0	0	0	0	0	0	-3
Disposals	0	0	4	0	0	0	0	0	4
Currency translation differences	0	0	0	0	0	0	0	0	0
Closing balance at Dec. 31, 2002	**8**	**0**	**33**	**-26**	**0**	**0**	**0**	**0**	**15**
Carrying amount at Dec. 31, 2002	**126**	**62**	**20**	**70**	**12**	**11**	**21**	**53**	**375**
Carrying amount at Dec. 31, 2001	1,108	117	50	82	0	711	19	35	2,122

The reduction in investments in associates is due to the full consolidation of DHL International.

28 Inventories

Inventories are composed of the following items:

Inventories in €m	2001	2002
Finished goods and goods purchased and held for resale	78	84
Spare parts for aircraft	0	61
Raw materials and supplies	46	43
Work in progress	19	7
Advance payments	20	19
	163	**214**

Standard costs for inventories of postage stamps and spare parts in freight centers amounted to €14 million. There was no requirement to charge significant valuation allowances on these inventories.

29 Receivables and other assets

Receivables and other assets are composed of the following items:

Receivables and other assets in €m	2001	2002
Trade receivables	2,944	3,410
Prepaid expenses	647	658
Interest-bearing assets	0	495
Tax receivables	145	282
Receivables from private postal agencies	319	256
Creditors with debit balances	65	143
Receivables from insurance business	2	131
Derivatives	16	85
Receivables from subsidiaries	46	52
Receivables from associates	1	51
Receivables from Bundes-Pensions-Service für Post und Telekommunikation e.V.	0	40
Equalization claim under section 40 DMBilG	49	37
Receivables from QTE leases	1	28
Receivables from sales of assets	67	23
Receivables from cash-on-delivery	0	17
Receivables from loss compensation (recourse claims)	22	14
Receivables from employees and executive body members	86	11
Short-term loans and interest receivables	1	11
Advance payments	15	10
Receivables from Bundesanstalt für Post und Telekommunikation	21	5
Receivables from joint ventures	12	0
Miscellaneous other assets	375	409
	4,834	**6,168**

The increase in miscellaneous other assets is due primarily to DHL International.

Prepaid expenses include advance compensation paid by Deutsche Post AG to civil servants in the amount of €152 million (previous year: €146 million).

€492 million of the interest-bearing assets (previous year: €0 million) relates to mainly long- and short-term deposits of DHL International.

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

Maturities in €m	2001	2002
Less than 1 year	4,736	5,787
1 to 5 years	82	68
More than 5 years	16	313
	4,834	**6,168**

In accordance with IAS 39, the fair values as of December 31, 2002 were additionally determined for non-current receivables measured at historical cost. 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.

30 Receivables and other securities from financial services

Receivables and other securities from financial services result exclusively from the business operations of the Deutsche Postbank group.

Receivables and other securities from financial services are composed of the following items:

Receivables and other securities from financial services in €m	2001	2002
Loans and advances to other banks	37,402	37,774
Loans and advances to customers	44,066	43,878
Allowance for losses on loans and advances	-621	-588
Trading assets/Hedging derivatives (positive fair values)	7,114	12,416
Investment securities	47,943	44,161
	135,904	**137,641**

The maturity structure of receivables and other securities from financial services (gross of the allowance for losses on loans and advances) is as follows:

Maturities

in €m	Less than 1 year		1 to 5 years		More than 5 years		Total	
	2001	2002	2001	2002	2001	2002	2001	2002
Loans and advances to other banks	17,325	20,863	10,967	7,883	9,110	9,028	37,402	37,774
Loans and advances to customers	6,238	5,899	16,808	17,125	21,020	20,854	44,066	43,878
Trading assets/Hedging derivatives	2,824	5,614	3,221	5,960	1,069	842	7,114	12,416
Investment securities	9,100	7,422	24,985	24,241	13,858	12,498	47,943	44,161
	35,487	**39,798**	**55,981**	**55,209**	**45,057**	**43,222**	**136,525**	**138,229**

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

30.1 Loans and advances to other banks

Loans and advances to other banks

in €m	2001	2002
Payable on demand	1,793	1,354
Other loans and advances	35,609	36,420
	37,402	**37,774**

Loans and advances to other banks are classified as follows in accordance with the categories of financial instruments as defined in IAS 39:

Classification of loans and advances to other banks

in €m	2001	2002
Originated loans to other banks	27,904	27,041
thereof fair value hedges	2,782	2,836
Purchased loans to other banks (available for sale)	2,295	1,730
thereof fair value hedges	736	558
Money market assets	7,203	9,003
	37,402	**37,774**

Gains of €11 million (previous year: €11 million) on the measurement of unhedged purchased available-for-sale loans to other banks were credited directly to the revaluation reserve. A gain of €2 million (previous year: €0.5 million) of the revaluation reserve was reversed to income in the period under review from the disposal of available-for-sale loans to other banks.

Valuation allowances of €2 million (previous year: €3 million) were recognized in the year under review for originated loans to other banks.

30.2 Loans and advances to customers

Loans and advances to customers are structured as follows:

Loans and advances to customers

in €m	2001	2002
Building finance	13,316	15,221
Public-sector loans	18,522	17,794
Others	12,228	10,863
	44,066	**43,878**

€10,688 million of loans and advances to customers is secured by mortgage charges (previous year: €10,520 million). Loans and advances to customers are classified as follows under IAS 39:

Classification of loans and advances to customers

in €m	2001	2002
Originated loans to customers	37,772	38,687
thereof fair value hedges	9,210	5,294
Purchased loans to customers (held to maturity)	889	779
Purchased loans to customers (available for sale)	5,405	4,412
thereof fair value hedges	3,112	2,411
	44,066	**43,878**

Gains on the measurement of unhedged purchased available-for-sale loans to customers were credited directly to the revaluation reserve in the amount of €22 million (previous year: €21 million). A gain of €23 million (previous year: €2 million) of the revaluation reserve was reversed to income in the period under review from the disposal of available-for-sale loans to customers.

Valuation allowances of €185 million (previous year: €153 million) were recognized for originated loans to customers in the year under review.

30.3 Allowance for losses on loans and advances

The allowance for losses on loans and advances is recognized in accordance with IAS 39.109 and covers all identifiable credit and country risks. Global valuation allowances were recognized for the potential credit risk on the basis of historical amounts.

The allowance for losses on loans and advances consists of the following allowances:

Allowance for losses on loans and advances

in €m	2001	2002
Loans and advances to other banks	-10	-9
Loans and advances to customers	-611	-579
	-621	**-588**

The allowance for losses on loans and advances changed as follows in fiscal year 2002:

€29 million (previous year: €8 million) of non-performing loans and advances was written off directly and charged to income in the year under review. Recoveries on loans previously written off amounted to €1 million (previous year: €2 million).

30.4 Trading assets/Hedging derivatives (positive fair values)

Trading assets relate to trading in bonds and other fixed-income securities, equities 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

in €m	2001	2002
Bonds and other fixed-income securities	4,475	10,433
Equities and other non-fixed-income securities	26	19
Positive fair value of derivatives	275	442
Positive fair value of banking book derivatives	630	401
	5,406	**11,295**

Change in loan loss allowance

in €m	Specific risks		Country risks		Potential risks		Total	
	2001	2002	2001	2002	2001	2002	2001	2002
Opening balance at Jan. 1	244	561	7	9	72	51	323	621
Change in consolidated group	221	0	0	0	0	0	221	0
Additions	147	185	8	2	1	0	156	187
Utilization	15	133	3	0	1	0	19	133
Reversal	36	70	3	2	21	8	60	80
Currency translation differences	0	-5	0	-2	0	0	0	-7
Closing balance at Dec. 31	**561**	**538**	**9**	**7**	**51**	**43**	**621**	**588**

€10,083 million (previous year: €3,721 million) of the bonds and other fixed-income securities relates to securities listed on a stock exchange, and €19 million (previous year: €24 million) of the equities and other non-fixed-income securities relates to securities listed on a stock exchange.

Hedges with positive fair values that qualify for hedge accounting under IAS 39 are composed of the following items:

Hedging derivatives

in €m	Fair value hedges 2001	2002
Assets		
Hedging derivatives on loans to other banks		
Originated loans	7	6
Hedging derivatives on loans to customers		
Originated loans	39	7
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	89	8
Equities and other non-fixed-income securities	0	4
	135	**25**
Liabilities		
Deposits from other banks	30	64
Amounts due to customers	0	54
Securitized liabilities	1,543	969
Subordinated liabilities	0	9
	1,573	**1,096**
	1,708	**1,121**

30.5 Investment securities

Investment securities consist of bonds and other fixed-income securities, and equities and other non-fixed-income securities.

Investment securities

in €m	2001	2002
Bonds and other fixed-income securities	46,544	43,250
Equities and other non-fixed-income securities	1,399	911
thereof equities	1,206	707
thereof investment fund shares	193	204
	47,943	**44,161**

Investment securities are classified as follows under IAS 39:

Classification of investment securities

in €m	2001	2002
Bonds and other fixed-income securities		
Purchased directly from the issuer	10,731	14,054
thereof fair value hedges	1,250	1,071
Held to maturity	3,278	3,102
Available for sale	32,535	26,094
thereof fair value hedges	19,260	15,931
	46,544	**43,250**
Equities and other non-fixed-income securities	1,206	707
thereof fair value hedges	140	49
Investment fund shares	193	204
	1,399	**911**
	47,943	**44,161**

€42,539 million (previous year: €36,251 million) of the investment securities relates to listed securities.

Losses on the measurement of unhedged available-for-sale securities were charged directly to the revaluation reserve in the amount of €537 million (previous year: €250 million). €201 million was charged directly to the revaluation reserve (previous year: €8 million withdrawn from the revaluation reserve) and recognized in the income statement from the disposal of investment securities and the recognition of impairment losses.

Postbank issued letters of pledge to the European Central Bank for securities with a lending value of €13.3 billion (previous year: €14.2 billion) for open market operations. Open market operations at the balance sheet date amounted to €8.9 billion (previous year: €10.5 billion). The securities deposited as collateral continue to be reported as noncurrent financial assets.

Impairments of €238 million were recognized in fiscal year 2002 to reflect developments in the values of financial instruments.

31 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.

32 Deferred tax assets

Deferred tax assets are composed of the following items:

Deferred tax assets

in €m	2001	2002
Deferred tax assets from tax loss carryforwards		
Deutsche Post AG	320	294
Deutsche Postbank group	502	308
DHL International	0	2
Danzas group	51	42
Other Group companies	85	62
	958	**708**
Deferred tax assets from temporary differences		
Deutsche Post AG	148	345
Deutsche Postbank group	322	275
DHL International	0	46
Danzas group	52	52
Other Group companies	11	20
	533	**738**
	1,491	**1,446**

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

Deferred tax assets from tax loss carryforwards

in €m	2001	2002
Deferred taxes from German tax loss carryforwards		
Corporation tax	515	352
Trade tax and solidarity surcharge	352	210
Deferred taxes from foreign tax loss carryforwards	91	146
	958	**708**

No deferred tax assets were recognized on tax loss carryforwards amounting to around €3.9 billion (previous year: €3.1 billion), as we presume that we will not be able to utilize these tax loss carryforwards in future periods.

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

Deferred tax assets from temporary differences

in €m	2001	2002
Intangible assets	13	13
Property, plant and equipment	6	58
Noncurrent financial assets	10	12
Current assets		
Receivables and other securities from financial services	287	51
Other current assets	0	63
Pension provisions	115	140
Other provisions	80	267
Financial liabilities	0	0
Other liabilities	22	134
	533	**738**

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

Maturities

in €m	2001	2002
Less than 1 year	43	188
1 to 5 years	414	383
More than 5 years	76	167
	533	**738**

33 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.

Our share capital changed as follows as of December 31, 2002 following the issue of bonus shares:

Issued capital

Number of shares	2001	2002
Federal Republic of Germany	556,400,026	556,400,026
Kreditanstalt für Wiederaufbau	209,078,797	203,591,065
Free float	347,321,177	352,808,909
	1,112,800,000	1,112,800,000

During the course of December 2002, private investors who had subscribed for shares during the advance subscription phase at the time of our IPO in November 2000 and who held these shares in their brokerage accounts until the end of the lock-up period (November 30, 2002), were allocated bonus shares by Kreditanstalt für Wiederaufbau in the ratio of 1:15. The bonus shares were not made available by Deutsche Post AG.

A total of around 32% of our shares are traded on the capital markets.

Authorized Capital I

The Board of Management is authorized to increase our 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). The Board of Management has not exercised its authorization to increase our share capital.

The stock options were granted to employees under the terms of the employee equity compensation program launched at the time of Deutsche Post AG's IPO. The equity compensation program consisted of three "pillars" which could be subscribed separately. Employees who subscribed for Pillar 1 were allocated 14 shares for €20.50 each (issue price for advance subscribers), and received an employer grant to cover half of the taxes and social security contributions payable on the shares. These shares were subject to a lock-up until December 31, 2005. However, this lock-up was abolished as of January 1, 2002.

If they subscribed for Pillar 2 (also termed the "innovative model"), employees received 74 call options free of charge, in addition to 74 shares costing €20.50 each. Following a two-year lock-up for all Pillar 2 shares, each of these call options entitles the holder to buy one additional share at the original issue price for advance subscribers (€20.50). Notice of exercise may be given between January 2, 2003 and January 15, 2003. At the balance sheet date, employees held 7,190,106 Pillar 2 shares (previous year: 7,387,544 shares) in their brokerage accounts with Postbank Easytrade.

Pillar 3 gave employees a guaranteed allotment of shares at the issue price for advance subscribers (€20.50). Depending on how many shares they subscribed for (two alternative models were offered), they were allocated either 124 or 249 shares.

Authorized Capital II

The Board of Management is further authorized to increase our share capital up to September 30, 2005 by up to €80 million by issuing new shares against non-cash contributions. The Company did not exercise this authority in fiscal year 2002.

Contingent capital

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

Share-based payment system for executives

Under the existing executive stock option program, eligible participants are granted stock options in annual tranches. Certain employees (Group management levels 1 to 3 and specialists) were granted stock options for the first time on March 15, 2001 (first tranche). The second tranche was issued on July 1, 2002. The program provides for additional stock options to be granted to eligible participants on the first trading day in July in 2003, 2004 and 2005.

The grant of stock options to Group management levels 1 and 2 requires eligible participants to invest in shares of Deutsche Post AG. Eligible participants in Group management level 3 receive stock options without any requirement to buy shares.

Tranches	Stock options	Stock Appreciation Rights
Tranche 1		
Board of Management	466,908	0
Other senior executives	5,070,576	345,432
Tranche 2		
Board of Management	1,223,418	0
Other senior executives	9,082,620	446,934

The stock options can only be exercised within a two year period following the expiration of a lock-up period of three years after the relevant grant date. The options lapse after the expiry of the exercise periods. The options can only be exercised if both the absolute and the relative performance targets have been satisfied.

The absolute performance target depends on the performance of the shares during the course of the lock-up period and is deemed to have been satisfied if the increase in the price of Deutsche Post AG stock exceeds 10, 15, 20, 25% or more. The relative performance target is tied to the performance of the shares versus the performance of the Dow Jones Euro Stoxx Total Return Index. The stock options can only be exercised if Deutsche Post shares outperform the benchmark by at least 10% over the lock-up period. The stock options lapse without compensation if either the absolute or the relative performance targets are not satisfied by the end of the lock-up period. For every six options, a maximum of four may be earned on the basis of the absolute performance target, and a maximum of two on the basis of the relative performance target. Two performance periods are compared to establish whether and to what extent the performance targets have been satisfied. Period I is the average closing price of Deutsche Post stock in Deutsche Börse AG's Xetra trading system on trading days 60 to 79 following the IPO. Period II is the average closing price of Deutsche Post stock in Deutsche Börse AG's Xetra trading system on the final 60 trading days prior to expiration of the lock-up period.

Each stock option entitles the holder to buy one share or to a cash settlement in the amount of the difference between the exercise price and the average price of the shares during the five days prior to the exercise date.

Information on the individual tranches is presented in the following tables:

Information on individual tranches	Tranche 1	Tranche 2
Grant date	Mar. 15, 2001	July 1, 2002
Stock options granted	5,537,484	10,306,038
Stock Appreciation Rights (SARs) granted	345,432	446,934
Issue price	€23.05	€14.10
Lock-up expires	Mar. 14, 2004	June 30, 2005
Number of stock options/SARs		
Outstanding stock options at beginning of year	–	–
Options granted	5,537,484	10,306,038
SARs granted	345,432	446,934
Options exercised	0	0
SARs exercised	0	0
Options lapsed	364,344	0
SARs lapsed	8,556	0
Outstanding options at end of year	5,173,140	10,306,038
Eligible for exercise at end of year	336,876	446,934

The stock options and Stock Appreciation Rights were measured at their intrinsic values in fiscal year 2001. However, as the stock options had no intrinsic value at either the date of grant or the reporting date, no expense was recognized.

The accounting policy for the stock options was changed in fiscal year 2002. Starting in fiscal year 2002, the stock option program is measured using investment techniques by applying option pricing models (fair value measurement). The prior-period amounts were restated to reflect the new accounting policy. This resulted in staff costs of €6 million for fiscal year 2001. The prior-period amounts were restated accordingly. This resulted in an expense of €12 million for fiscal year 2002.

34 Reserves

The Group's reserves are composed of the following items:

Reserves in €m	2001	2002
Capital reserves	344*	356
Revaluation reserve in accordance with IAS 39	-93	-495
Hedging reserve in accordance with IAS 39	-1	-37
Retained earnings	2,413	3,499
	2,663*	**3,323**

* Prior-period amount restated (see note 7)

Capital reserves

Changes in the capital reserves in fiscal year 2002 are presented below, based on the amounts at January 1, 2001:

Capital reserves

in €m	2001	2002
Capital reserves at Jan. 1	296	344*
Sale of own shares	42	0
Stock option program	6*	12
Capital reserves at Dec. 31	**344***	**356**

* Prior-period amount restated (see note 7)

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 are unlikely to be more than temporary and have been taken directly to equity. The reserve is reversed to income either when the financial instruments are sold or if their carrying amounts are permanently impaired.

Revaluation reserve

in €m	2001	2002
Balance at Jan. 1 *	238	-93
Gains/losses credited/charged to revaluation reserve	-347	-611
Reversed to income	16	209
Balance at Dec. 31	**-93**	**-495**

* Initial IAS 39 adjustment in fiscal year 2001

The reversal to income contains the reclassification of available-for-sale financial instruments due to impairments (€229 million), sales and the discontinuation of hedges (€20 million).

€494 million of the revaluation reserve relates to gains or losses on the fair value measurement of financial instruments of the Deutsche Postbank group due to the negative developments on the international capital markets.

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	2002
Losses charged to hedging reserve	-1	-37

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	2002
Undistributed profit of prior-year periods	2,292	3,578
Currency translation differences	-3	-97
First-time application of IAS 39	134	0
Other	-10	18
	2,413	**3,499**

Adjustments from the first-time application of IAS 39 were appropriated to retained earnings in 2001.

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

35 Consolidated net profit

The consolidated net profit for fiscal year 2002 amounts to €659 million (previous year: €1,577 million; prior-period amount restated see note 7).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the unappropriated surplus of €1,406 million (previous year: €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 €0.40 per no-par value share (previous year: €0.37). The amount of €961 million (previous year: €1,553 million) remaining after deduction of the total dividend of €445 million (previous year: €412 million) will be transferred to the retained earnings of Deutsche Post AG.

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

36 Minority interest

Minority interest includes adjustments for the interests of non-Group shareholders in the consolidated equity from capital consolidation, as well as their interests in profit and loss. The interests relate primarily to the following companies:

Minority interest

in €m	2001	2002
Deutsche Postbank group	59	14
Guipuzcoana	0	83
Danzas group	10	12
Other companies	6	8
	75	**117**

37 Provisions for pensions and other employee benefits

Pension arrangements for hourly workers and salaried employees

Provisions for pensions and other employee benefits, which relate solely to our hourly workers and salaried employees, changed as follows in fiscal year 2002, based on the opening balances of fiscal year 2001:

Provisions for pensions and other employee benefits

in €m	Pension provisions	Provisions for other employee benefits	Total
Opening balance at Jan. 1, 2001	6,669	51	6,720
Changes in consolidated group	6	1	7
Utilization	513	7	520
Currency translation differences	-2	1	-1
Addition	421	0	421
Closing balance at Dec. 31, 2001	6,581	46	6,627
Changes in consolidated group	33	0	33
Utilization	769	0	769
Reversal	3	0	3
Currency translation differences	-2	0	-2
Addition	356	50	406
Closing balance at Dec. 31, 2002	**6,196**	**96**	**6,292**

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

Maturities

in €m	Pension provisions		Provisions for other employee benefits		Total	
	2001	2002	2001	2002	2001	2002
Less than 1 year	602	586	12	18	614	604
1 to 5 years	1,659	1,605	17	34	1,676	1,639
More than 5 years	4,320	4,005	17	44	4,337	4,049
	6,581	**6,196**	**46**	**96**	**6,627**	**6,292**

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

Allocation of pension provisions to companies

in €m	2001	2002
Deutsche Post AG	5,957	5,519
Deutsche Postbank group	552	563
Danzas group	98	120
DHL International	0	43
Other Group companies	20	47
	6,627	**6,292**

The benefit obligations funded by provisions are attributable mainly to pension obligations in Germany, and relate primarily to the defined benefit plans of Deutsche Post AG and Deutsche Postbank AG. 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 significant defined benefit plans of Deutsche Post AG are funded via Versorgungsanstalt der Deutsche Bundespost (VAP), Unterstützungskasse Deutsche Post Betriebsrenten Service e.V. (DPRS), and Deutsche Post Pensionsfonds GbR, which was established in 2002. The pension funds and Deutsche Post Pensionsfonds GbR were provided with plan assets (funded pension plans). Deutsche Post AG and Deutsche Postbank AG have entered into direct commitments for the remaining plans.

Other funded benefit obligations relate primarily to the Danzas group and DHL International, as shown in the following table:

Funded benefit obligations

in €m	2001	2002
Deutsche Post AG	2,845	3,098
Danzas group	372	479
DHL International	0	40
	3,217	**3,617**

Plan assets of €1,910 million (previous year: €1,579 million) are attributable to the benefit obligations at the reporting date.

The remaining obligations amounting to €1,707 million (previous year: €1,638 million) are fully covered by the provisions recognized.

The plan assets are primarily composed of fixed-income securities, mortgages, mortgage bonds, etc. (72.1%; previous year: 87.5%), equities and investment funds (6.5%; previous year: 6.2%) and other assets, such as real estate (21.4%; previous year: 6.3%). The price risk is low due to the conservative composition.

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

Actuarial assumptions

in %	2001	2002
Discount rate	5.5 to 5.75	5.5 to 5.75
Expected wage and salary growth (depending on employee group)	2.0 to 3.0	2.5
Expected pension growth (depending on employee group)	1.75 to 2.5	2.0 to 2.5
Average expected fluctuation	1.0	1.0
Expected return on plan assets	3.1 to 4.25	3.0 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	2002
Present value of obligations at Dec. 31	8,328	8,334
Share of funded obligations	3,217	3,617
Share of unfunded obligations	5,111	4,717
Fair value of plan assets	1,579	1,910
Unrecognized actuarial gains/losses	168	228
Unrecognized past service cost	0	0
Carrying amount at Dec. 31	**6,581**	**6,196**

There are additional obligations amounting to €437 million in addition to the obligations at December 31, 2002 listed in the table. These were largely attributable to Van Gend & Loos B.V. and are fully funded.

An internal Pension Trust, Deutsche Post Pensionsfonds GbR, was formed in fiscal year 2002. Its objective is to secure the pension entitlements of employees by using insolvency-proof transferred assets. Deutsche Post AG holds a 99.98% interest in Deutsche Post Pensionsfonds GbR, Deutsche Post Verwaltungs-Objekt GmbH holds a 0.01% interest and Deutsche Post Pensions e.V. holds a 0.01% interest. Deutsche Post AG transferred real estate to the Pension Trust in fiscal year 2002 and leased it back. If Deutsche Post AG ever becomes insolvent, Deutsche Post Pensions e.V. would assume the pension payments. Under IAS 19, transfer of the real estate to Deutsche Post Pensionsfonds GbR results in a plan asset that is offset against the plan liabilities.

The following pension expenses were incurred in fiscal year 2002 compared with the prior-year period:

Pension expense

in €m	2001	2002
Current service cost	136	192
Interest cost	418	456
Expected return on plan assets	72	75
Amortized actuarial gains/losses	28	16
Amortized past service cost	1	21
Other	12	0
Expected employee contributions	6	0
Pension expense	**461**	**536**

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

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	2002
Carrying amount at Jan. 1	6,669	6,581
Changes in consolidated group	6	33
Pension expense	461	536
Pension payments	339	225
Contributions to funds	224	513
Transfers of assets	0	10
Effect of plan curtailments and settlements	10	224
Currency translation differences	2	2
Carrying amount at Dec. 31	**6,581**	**6,196**

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	2002
Expected return on plan assets	72	75
Loss on plan assets	-26	-22
Actual return on plan assets	**46**	**53**

Pension arrangements for civil servants

In addition to the state pension system operated by the statutory pension insurance funds, to which contributions for hourly workers 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.

Under the provisions of the Gesetz zur Neuordnung des Postwesens und der Telekommunikation (PTNeuOG – Posts and Telecommunications Reorganization Act), Deutsche Post AG and Deutsche Postbank AG make benefit and assistance payments via a special pension fund to retired employees and their surviving dependants who are entitled to benefits on the basis of a civil service appointment. The amount of the payment obligations of Deutsche Post AG and Deutsche Postbank AG is governed by section 16 of the Postpersonalrechtsgesetz (German Postal Employees Act). Since 2000, both companies have been legally obliged to pay to this special pension fund an annual contribution of 33% of the pensionable gross compensation of active civil servants and the notional pensionable gross compensation of civil servants on leave of absence. In the year under review, Deutsche Post AG paid contributions of €645 million (previous year: €706 million) and Deutsche Postbank AG paid contributions of €80 million (previous year: €68 million) to Bundes-Pensions-Service für Post und Telekommunikation e.V.

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

Until 2000, Deutsche Post AG and Deutsche Postbank AG each operated a separate pension fund for their active and former civil servant employees. These funds were merged with the pension fund of Deutsche Telekom AG to form the joint special pension fund Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT).

38 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 2002, based on changes in fiscal year 2001:

Tax provisions

in €m	Provisions for current taxes	Deferred tax liabilities	Total
Opening balance at Jan. 1, 2001	659	693	1,352
Changes in consolidated group	2	-41	-39
Utilization	175	32	207
Reversal	359	46	405
Reclassification	0	0	0
Currency translation differences	0	1	1
Additions	284	325	609
Closing balance at Dec. 31, 2001	411	900	1,311
Changes in consolidated group	7	-2	5
Utilization	65	265	330
Reversal	26	261	287
Reclassification	7	0	7
Currency translation differences	-5	1	-4
Additions	186	622	808
Closing balance at Dec. 31, 2002	**515**	**995**	**1,510**

The maturity structure of tax provisions is as follows:

Maturities

in €m	Provisions for current taxes		Deferred tax liabilities		Total	
	2001	2002	2001	2002	2001	2002
Less than 1 year	411	478	631	77	1,042	555
1 to 5 years	0	37	227	755	227	792
More than 5 years	0	0	42	163	42	163
	411	**515**	**900**	**995**	**1,311**	**1,510**

The provisions are primarily attributable to the following companies:

Allocation of tax provisions to companies

in €m	Provisions for current taxes		Deferred tax liabilities		Total	
	2001	2002	2001	2002	2001	2002
Deutsche Postbank group	45	32	691	706	736	738
Deutsche Post AG	332	415	185	241	517	656
DHL	0	36	0	28	0	64
Danzas group	26	20	18	16	44	36
Other Group companies	8	12	6	4	14	16
	411	**515**	**900**	**995**	**1,311**	**1,510**

The deferred tax liabilities from temporary differences (as shown in the table to the right) result from differences in the carrying amounts of individual balance sheet items:

Deferred tax liabilities from temporary differences

in €m	2001	2002
Intangible assets	68	106
Property, plant and equipment	101	86
Noncurrent financial assets	43	8
Current assets		
Receivables and other securities from financial services	592	520
Other current assets	1	54
Pension provisions	0	0
Miscellaneous provisions	82	56
Financial liabilities	0	0
Other liabilities	13	165
	900	**995**

39 Other provisions

Other provisions changed as follows in fiscal year 2002, based on the opening balances of fiscal year 2001:

Changes in other provisions

in €m	Postal Civil Service Health Insurance Fund	Postage stamps	STAR restructuring provision	Other workforce adjustment measures	Litigation costs	Welfare benefits for civil servants	Miscellaneous provisions	Total
Opening balance at Jan. 1, 2001	1,287	606	0	727	61	42	312	3,035
Changes in consolidated group	0	0	0	0	0	0	19	19
Utilization	20	606	0	248	26	42	111	1,053
Currency translation differences	0	0	0	0	0	0	0	0
Reversal	0	0	0	19	3	0	51	73
Additions	67	579	0	180	14	33	232	1,105
Closing balance at Dec. 31, 2001	1,334	579	0	640	46	33	401	3,033
Changes in consolidated group	0	0	0	22	-6	0	280	296
Utilization	28	579	0	189	12	33	276	1,117
Currency translation differences	0	0	0	-7	-2	0	-9	-18
Reversal	0	0	0	32	8	0	39	79
Reclassification	0	0	0	-37	0	0	27	-10
Additions	80	550	1,077	681	19	31	339	2,777
Closing balance at Dec. 31, 2002	**1,386**	**550**	**1,077**	**1,078**	**37**	**31**	**723**	**4,882**

In fiscal year 2002, the miscellaneous provisions amounting to €723 million were composed of the items listed in the table to the right.

Miscellaneous provisions

in €m	2001	2002
Risks from business activities	26	41
Staff-related provisions	67	75
Risks from asset assumption by Deutsche Post	25	0
Technical reserves (insurance)	19	44
Miscellaneous other provisions	264	563
	401	**723**

The maturity structure of the other provisions is presented below:

Maturities

in €m	Less than 1 year		1 to 5 years		More than 5 years		Total	
	2001	2002	2001	2002	2001	2002	2001	2002
Postal Civil Service Health Insurance Fund	55	57	219	228	1,060	1,101	1,334	1,386
Postage stamps	579	550	0	0	0	0	579	550
STAR restructuring provision	0	395	0	682	0	0	0	1,077
Other workforce adjustment measures	167	337	334	561	139	180	640	1,078
Litigation costs	27	31	9	4	10	2	46	37
Welfare benefits for civil servants	33	31	0	0	0	0	33	31
Miscellaneous provisions	150	385	82	79	169	259	401	723
	1,011	**1,786**	**644**	**1,554**	**1,378**	**1,542**	**3,033**	**4,882**

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, which was consolidated for the first time in 1999, together with another successor of Deutsche Bundespost. The shortfall funding payments to the Postal Civil Service Health Insurance Fund are designated as “other long-term employee benefits”, and 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, and is based on studies by market research companies. It is measured at the nominal value of the stamps issued.

€1,077 million was provided for restructurings as part of the Group-wide STAR value creation program in the year under review, relating primarily to termination benefit obligations to employees (partial retirement programs, transitional benefits), expenses from the closure of terminals and subsequent impairment losses on noncurrent assets.

The other workforce adjustment measures are broken down as follows:

Other workforce adjustment measures

in €m	2001	2002
Deutsche Post AG	353	785
Deutsche Postbank AG	209	198
Danzas group	63	37
DHL	0	36
Van Gend & Loos B.V.	7	4
Other Group companies	8	18
	640	**1,078**

The interest cost on discounted provisions is composed of the following items:

Interest cost on discounted provisions

in €m	2001	2002
Interest cost on Postal Civil Service Health Insurance Fund	77	80
Interest cost on other workforce adjustment measures	36	25
Interest cost on miscellaneous provisions	2	3
	115	**108**

40 Financial liabilities

Financial liabilities represent all interest-bearing obligations of Deutsche Post World Net not classified as liabilities from financial services. They are broken down as follows:

Financial liabilities

Maturities	Less than 1 year		1 to 5 years		More than 5 years		Total	
in €m	2001	2002	2001	2002	2001	2002	2001	2002
Bonds	0	0	0	750	0	750	0	1,500
Due to banks	629	652	516	797	138	121	1,283	1,570
Liabilities to subsidiaries	0	2	0	0	0	0	0	2
Associate payables	1	1	0	0	0	0	1	1
Finance lease liabilities	37	43	27	366	25	33	89	442
Other financial liabilities	800	39	132	166	3	96	935	301
	1,467	**737**	**675**	**2,079**	**166**	**1,000**	**2,308**	**3,816**

In October 2002, Deutsche Post AG issued its first benchmark euro bond on the capital markets with a principal amount of €1.5 billion via Deutsche Post Finance B.V. The bond was admitted to trading on the Frankfurt Stock Exchange (“Official Market”) on October 4, 2002, and the first trading day was October 10, 2002. The bond was issued in two tranches with maturities of five and ten years respectively.

Issuer

	Principal amount in €m	Coupon in %	Maturity
Deutsche Post Finance B.V., the Netherlands	750	4.25	Oct. 4, 2007
Deutsche Post Finance B.V., the Netherlands	750	5.125	Oct. 4, 2012

The bond is eligible for refinancing with the European Central Bank. It is a bearer bond deposited with Clearstream Banking AG, Frankfurt, in the form of a global certificate without interest coupons. Deutsche Post AG has assumed an unconditional irrevocable guarantee for all bonds issued by Deutsche Post Finance B.V., Boompje Rotterdam, the Netherlands, for the payment obligations under the terms and conditions of the bonds.

€707 million of the increase in amounts due to banks is attributable to DHL, while the liabilities of Deutsche Post International B.V. to the European Investment Bank fell at the same time by €143 million to €585 million. The longer-term loans are mainly attributable to Deutsche Post International (DPI).

Finance lease liabilities increased by €353 million and relate primarily to DHL International.

Other financial liabilities fell by €634 million. This related mainly to Deutsche Post AG, which reported financial liabilities of €638 million to Deutsche Post Renten-Service e.V. and €230 million to Deutsche Telekom AG (recourse claim) in 2001. These liabilities had been settled by December 31, 2002.

Of the total financial liabilities, €1,053 million is attributable to DHL International (previous year: €0 million) and €833 million to Deutsche Post International B.V. (previous year: €728 million).

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

Carrying amounts / Fair values						
in €m			2001			2002
	Carrying amounts	Fair values	Difference	Carrying amounts	Fair values	Difference
Bonds	0	0	0	1,500	1,547	47
Due to banks	1,283	1,299	16	1,570	1,570	0
Liabilities to subsidiaries	0	0	0	2	2	0
Associate payables	1	1	0	1	1	0
Finance lease liabilities	89	89	0	442	442	0
Other financial liabilities	935	949	14	301	301	0
	2,308	**2,338**	**30**	**3,816**	**3,863**	**47**

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 means 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 most of 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.

41 Trade payables

Trade payables are attributable to the following companies:

Trade payables		
in €m	2001	2002
Deutsche Post AG	927	988
Danzas group	1,091	812
DHL	0	495
Deutsche Postbank group	127	79
Other Group companies	259	333
	2,404	**2,707**

The maturity structure of trade payables is as follows:

Maturities		
in €m	2001	2002
Less than 1 year	2,399	2,658
1 to 5 years	1	43
More than 5 years	4	6
	2,404	**2,707**

42 Liabilities from financial services

Liabilities from financial services are carried at their redemption amounts. Differences between the amount disbursed and the amount repayable (premiums, discounts) are recognized or amortized over the remaining maturities of the liabilities. Proportionate accrued interest is reported together with the associated liability. Liabilities from financial services are composed of the following items:

Liabilities from financial services		
in €m	2001	2002
Deposits from other banks	26,819	28,300
Due to customers	62,272	66,108
Securitized liabilities	39,468	34,797
Trading liabilities/Hedging derivatives (negative fair values)	2,973	3,646
	131,532	**132,851**

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

Maturities in €m	Less than 1 year		1 to 5 years		More than 5 years		Total	
	2001	2002	2001	2002	2001	2002	2001	2002
Deposits from other banks	15,489	21,432	5,498	2,991	5,832	3,877	26,819	28,300
Due to customers	52,945	52,586	5,627	8,724	3,700	4,798	62,272	66,108
Securitized liabilities	7,731	11,522	23,501	17,032	8,236	6,243	39,468	34,797
Trading liabilities/Hedging derivatives (negative fair values)	468	620	1,285	1,985	1,220	1,041	2,973	3,646
	76,633	**86,160**	**35,911**	**30,732**	**18,988**	**15,959**	**131,532**	**132,851**

42.1 Deposits from other banks

Deposits from other banks in €m	2001	2002
Payable on demand	562	1,139
With an agreed maturity or withdrawal notice	26,257	27,161
	26,819	**28,300**

€935 million of the deposits from other banks is covered by fair value hedges (previous year: €1,489 million).

42.2 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	2002
Savings deposits		
With an agreed withdrawal notice of three months	23,579	28,611
With an agreed withdrawal notice of more than three months	712	442
	24,291	**29,053**
Other amounts due to customers		
Payable on demand	18,336	16,633
With an agreed maturity or withdrawal notice	19,645	20,422
	37,981	**37,055**
	62,272	**66,108**

€683 million of the amounts due to customers is covered by fair value hedges (previous year: €623 million).

42.3 Securitized liabilities

Securitized liabilities in €m	2001	2002
Mortgage bonds	1,451	1,234
Public-sector mortgage bonds (Pfandbriefe)	8,207	5,508
Other debt instruments	29,810	28,055
	39,468	**34,797**

€10,753 million of the securitized liabilities is covered by fair value hedges (previous year: €22,493 million).

42.4 Trading liabilities/Hedging derivatives (negative fair values)

Trading liabilities consist of the negative fair values of derivatives carried in the trading portfolio.

Trading liabilities in €m	2001	2002
Negative fair values of trading derivatives	297	515
Negative fair values of banking book derivatives	263	486
	560	**1,001**

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

Hedging derivatives in €m	2001	2002
Assets		
Hedging derivatives on loans to other banks		
Originated loans	142	200
Purchased loans (available for sale)	24	39
	166	**239**
Hedging derivatives on loans to customers		
Originated loans	626	448
Purchased loans (available for sale)	109	177
	735	**625**
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	1,340	1,641
	1,340	**1,641**
	2,241	**2,505**
Liabilities		
Deposits from other banks	6	0
Due to customers	7	3
Securitized liabilities	152	137
Subordinated liabilities	7	0
	172	**140**
	2,413	**2,645**

43 Other liabilities

Other liabilities are classified as shown in the table to the right.

The hybrid capital of Deutsche Postbank group relates to subordinated liabilities, profit participation certificates outstanding and contributions by typical silent partners. These items correspond to section 10 (4), (5) and (5a) of the KWG (German Banking Act). €434 million of the subordinate liabilities is hedged against changes in fair value (previous year: €329 million).

Further details on the €907 million liability to the federal government can be found in note 8.

The liabilities from the sale of residential building loans relate to obligations of Deutsche Post AG to pay interest subsidies to borrowers to offset the deterioration in borrowing terms in conjunction with the assignment of receivables in previous years, as well as pass-through obligations from repayments of principal and interest for residential building loans sold.

Other liabilities in €m	2001	2002
Hybrid capital of Deutsche Postbank group	1,174	1,201
Liabilities to the federal government	0	907
Deferred income	787	552
Tax liabilities	315	461
Compensated absences	258	326
Liabilities from the sale of residential building loans	254	266
Wages, salaries, severance	83	214
Debtors with credit balances	20	162
Payable to employees and members of executive bodies	122	152
Social security liabilities	85	140
Incentive bonuses	67	139
COD liabilities	113	120
Derivatives	14	102
Overtime claims	92	86
Other compensated absences	49	59
Housing management prepayments	0	20
Liabilities on BHW loan	0	19
Liabilities to subsidiaries	103	16
Advance payments received	25	16
Liabilities from compensation payments	8	4
Payable to Bundes-Pensions-Service für Post und Telekommunikation e.V.	45	0
Associate payables	4	4
Liabilities to joint ventures	4	1
Miscellaneous other liabilities	436	410
	4,058	**5,377**

The maturity structure of other liabilities is shown below:

Maturities in €m	2001	2002
Less than 1 year	3,707	3,893
1 to 5 years	207	355
More than 5 years	144	1,129
	4,058	**5,377**

44 Cash flow disclosures

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 and extraordinary expense for non-cash factors (net profit before changes in working capital). Adjustments for changes in working capital result in net cash from or used in operations (Cash flow I). Cash flow I is then adjusted for interest and taxes paid and received to produce net cash from or used in operating activities (Cash flow II).

Net profit before changes in working capital fell by €1,302 million year-on-year to €2,393 million. The main reason for this was the €907 million from the EU state aid proceedings reported as an extraordinary expense. However, because the payment will not be made until January 2003, it is reflected in the change in liabilities and does not affect Cash flow I and Cash flow II.

Non-cash income and expenses relate to the reversal of the negative goodwill at Postbank amounting to €1,499 million (€212 million systematic amortization and €1,287 million exceptional reversal), which is offset by non-cash additions to restructuring and staff-related provisions amounting to €1,600 million.

Cash flow I fell by €283 million (9.0%) year-on-year to €2,850 million, and Cash flow II also fell by 7.0% from €2,904 million to €2,702 million. This saw net cash from operating activities decline overall in line with our profit from operating activities, which fell by €291 million year-on-year to €1,856 million.

Net cash used in investing activities

Cash flows from investing activities result from cash received from disposals of noncurrent assets and cash paid for investments in noncurrent assets. Net cash used in investing activities amounted to €2,362 million in the year under review (previous year: €2,419 million). Disposals of items of noncurrent assets generated income for the Group of €738 million (previous year: €1,049 million). €3,100 million (previous year: €3,468 million) was spent on investments in noncurrent assets. €1,256 million of this amount (previous year: €1,240 million) was attributable to the acquisition of companies, in particular the acquisition of the remaining interests in DHL International amounting to €963 million (purchase price less cash and cash equivalents acquired), and the acquisition of DHL India (€32 million). Other significant financial investments were the acquisition of additional shares of DSL Holding AG i.A. (€59 million), the Danzas Cargoplan / Cargoline group (€47 million), the Danzas SGS group (€23 million) and Danzas UAE Logistics AB (€23 million). The total cash and cash equivalents acquired with these acquisitions amounted to €193 million. The acquisitions were financed largely from operating cash flow.

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

Acquisitions and divestitures

in €m	2001	2002
Acquisitions		
Noncurrent assets	7	1,750
Receivables and other securities from financial services	3,712	0
Other current assets (excl. cash and cash equivalents)	76	1,811
Provisions	14	350
Liabilities from financial services	3,508	0
Other liabilities	15	1,970
Divestitures		
Noncurrent assets	0	0
Other current assets (excl. cash and cash equivalents)	6	0
Provisions	0	0
Other liabilities	6	0

Investments in other noncurrent assets fell by €384 million year-on-year to €1,844 million (previous year: €2,228 million). The largest items in purchases of property, plant and equipment, and intangible assets, were "Other equipment, operating and office equipment" and "Concessions and industrial rights".

Net cash from financing activities

Cash flows from financing activities result from the issue and repayment of financial liabilities, and from distributions. Cash received amounted to €333 million in the year under review (previous year: cash paid amounting to €425 million) and thus rose by €758 million.

A significant reason for the cash received was the bond issued by DP Finance B.V., which generated cash of €1,496 million. This allowed us to restructure our financial liabilities, as reflected in the repayments, which were €1,605 million higher than in the previous year.

The cash inflows and outflows described above produced cash and cash equivalents of €2,639 million at year-end. Cash and cash equivalents therefore grew by €673 million over the prior-period comparable figure, and our internal financing resources remain strong. The high level of cash and cash equivalents at December 31, 2002 is a result of the due date for payment of the €907 million from the EU state aid proceedings in January 2003.

Other disclosures

45 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 AG's financial instruments are therefore presented separately below.

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

45.1.1 Risk control

Counterparty (default), price, liquidity and operational risks are a component of the banking business. Risk control works independently from operating risk management. It measures and assesses the group-wide risks and ensures that compliance with allocated limits is monitored. Its activities focus on internal information processing to enable the responsible division in the Deutsche Postbank group to manage the risks from the banking business. The Deutsche Postbank group distinguishes between the following types of risk:

Counterparty (default) risk

The types of counterparty risk described in greater detail below relate to the risk of loss due to changes in creditworthiness or default by a counterparty.

Postbank 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 their creditworthiness. The default risk results from the potential partial or complete default by a borrower or a counterparty on contractually assured payments. The creditworthiness (credit standing) risk results from the potential impairment in the value of receivables in the event of deterioration in the Bank's borrowers' or counterparties' financial position.

The country risk describes the transfer risk inherent in cross-border payments. Where funds are loaned abroad, the relevant country risk must be reflected in addition to the credit risks in that country. Counterparty risk is the risk that unrealized profits from transactions in progress cannot be recognized due to the default of a counterparty. This essentially involves replacement risks. Settlement risk is the risk of loss arising from default in the settlement of obligations or from late performance of obligations.

Price risk

Price risk refers to potential losses from financial transactions that may be triggered by changes in interest rates, volatility, foreign exchange rates and share prices. The changes in value are derived from daily marking-to-market, irrespective of the carrying amounts of assets and liabilities.

To quantify these risks, the Deutsche Postbank group uses suitable statistical models and procedures. Value at risk (VaR) is generally measured using the variance-covariance approach, based on a historical observation period of 250 trading days, a holding period of ten trading days and a 99% confidence level. The VaR of a portfolio thus describes its potential future loss that will not be exceeded in a period of ten trading days with a probability of 99%. The VaR methodology can be applied consistently to all products and markets, and transforms heterogeneous risks into a single measure of risk. This risk measure can then be used to compare the risks of different portfolios. To allow Postbank to better manage the planned expansion of its trading business, and in particular its business with option products, it is currently in the process of implementing a new IT system that will enable the use of the Monte Carlo method in addition to the variance-covariance approach.

The following values at risk were calculated for Postbank's trading book portfolios as of December 31, 2002:

The methods used for daily risk measurement are regularly tested to verify their reliability. The forecasting accuracy of the estimated value at risk based on historical market movements is tested against the value at risk by a comparison with the gains and losses from actual market changes for the same portfolio (clean backtesting).

Because extreme market movements are not adequately captured by the VaR model, worst case scenarios are computed at regular intervals. These analyses quantify the effects of exceptional events and extreme market conditions on the asset positions of the Deutsche Postbank group, and validate the risk-bearing ability that has been identified.

Liquidity risk

The liquidity risk is the risk to Postbank that it will be unable to meet its current and future payment obligations either as they fall due or in the full amount due. The funding risk arises when the necessary liquidity cannot be obtained on the expected terms when required.

Financial Markets is responsible for short- and medium-term liquidity management. The Money and Currency Markets department manages short-term cash flows on the basis of daily maturities and ensures the solvency of Postbank at all times in compliance with the minimum reserve requirements. The Asset/Liability Management department ensures medium-term liquidity management by means of cash flow forecasts; these are supplemented by structural liquidity planning which forecasts the development of investable cash flows for the current and following fiscal years.

Value at risk of trading book portfolios

in €m	Interest rate trading Money market	Capital markets incl. equity trading	Trading by Postbank International	Total trading book incl. correlation	
	2002	2002	2002	2001	2002
Value at risk at Dec. 30	4.81	3.11	0.09	3.95	4.41
Minimum value at risk	1.29	1.09	0.03	2.21	2.87
Maximum value at risk	5.76	16.23	3.15	7.02	10.64
Average value at risk	**3.48**	**4.39**	**0.66**	**3.83**	**4.80**

Operational risk

Operational risk is defined by Basel II as "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". Legal risks are also included here in accordance with the Basel II definition.

In 2002, Postbank continued the operational risk project it had launched in 2001. The methodologies employed, the loss event database, the identification of risk indicators and the implementation of qualitative self-assessment were further optimized. Additional subsidiaries were integrated. The objective of the Deutsche Postbank group is to implement the requirements of the standardized approach to assessing capital requirements for operational risks on a uniform basis throughout the group by 2005, and at the same time to establish the basis for compliance with one of the more risk-sensitive statistical models of the BIS consultative paper, thereby enabling the integration of operational risk management with the comprehensive, risk-adjusted overall bank risk management system.

Risk-weighted assets and capital ratio

Postbank assures the correct calculation of liable capital and own resources at group level. Regulatory own resources were as follows at December 31, 2002:

Own resources

		2001	2002
Risk-weighted assets	in €m	39,176	40,338
Market risk positions	in €m	4,375	4,200
Positions for which capital charges are required	in €m	43,551	44,538
Core (tier 1) capital	in €m	2,626	2,782
Supplementary (tier 2) capital	in €m	1,590	1,482
Liable capital	in €m	4,216	4,264
Eligible own funds	in €m	4,349	4,264
Tier 1 ratio	in %	6.7	6.9
Capital ratio	in %	10.8	10.6
Overall capital ratio	in %	10.0	9.6

With a capital ratio of 10.6% and an overall capital ratio of 9.6%, the Deutsche Postbank group more than satisfies the minimum requirement of 8%.

45.1.2 Derivatives

The Deutsche Postbank group uses derivatives primarily to hedge positions as part of its asset/liability management policy. Derivatives are also used for trading.

Derivatives on foreign currencies are mostly entered into in the form of currency forwards, currency swaps, cross-currency swaps and currency options. Interest rate derivatives are mainly interest rate swaps, Forward Rate Agreements and interest rate futures and options; forward transactions in fixed-income securities are entered into occasionally. Equity derivatives are entered into in the form of equity options and equity/index futures. Credit derivatives (credit default swaps) were also entered into in the year under review, although the volume involved was small.

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	2002	2001	2002	2001	2002
Trading derivatives	71,781	171,031	905	843	560	1,001
Hedging derivatives	58,115	39,225	1,708	1,121	2,413	2,645
	129,896	**210,256**	**2,613**	**1,964**	**2,973**	**3,646**

The following table presents the open interest rate and foreign currency forward transactions and option contracts of the Deutsche Postbank group at the balance sheet date.

Derivatives of the Deutsche Postbank group

Fair value in €m	Notional amount 2001	Positive fair values 2001	Negative fair values 2001	Notional amount 2002	Positive fair values 2002	Negative fair values 2002
Trading derivatives						
Currency derivatives						
OTC currencies						
Currency forwards	713	17	10	194	1	17
Currency swaps	7,933	47	71	7,262	188	267
Total portfolio OTC currencies	**8,646**	**64**	**81**	**7,456**	**189**	**284**
Total portfolio currency derivatives	**8,646**	**64**	**81**	**7,456**	**189**	**284**
Interest rate derivatives						
OTC derivatives						
Interest rate swaps	52,285	795	456	135,747	519	680
Cross-currency swaps	32	32	4	828	44	10
FRAs	2,379	9	6	3,510	13	13
OTC interest rate options	203	0	10	136	0	0
Other interest-related contracts	56	0	0	15	0	0
Total portfolio OTC derivatives	**54,955**	**836**	**476**	**140,236**	**576**	**703**
Exchange-traded interest rate futures	5,609	0	0	20,772	0	0
Exchange-traded interest rate options	2,490	2	1	445	0	0
Total portfolio interest rate derivatives	**63,054**	**838**	**477**	**161,452**	**576**	**703**
Equity/index derivatives						
Equity options (long/short)	72	3	2	2,085	73	6
Total portfolio OTC derivatives	**72**	**3**	**2**	**2,085**	**73**	**6**
Exchange-traded equity/index futures	4	0	0	-110	0	3
Exchange-traded equity/index options	5	0	0	44	1	1
Total portfolio equity/index derivatives	**81**	**3**	**2**	**2,019**	**74**	**10**
Credit derivatives						
Credit default swaps	0	0	0	104	4	4
Total portfolio credit derivatives	**0**	**0**	**0**	**104**	**4**	**4**
Total portfolio of derivative assets/ (liabilities) held for trading	71,781	905	560	171,031	843	1,001
thereof banking book derivatives	17,842	630	255	43,108	401	486
Hedging derivatives						
Fair value hedges						
Interest rate swaps	52,640	1,002	2,264	34,543	802	2,400
Cross-currency swaps	5,475	706	149	4,521	314	245
Equity options	0	0	0	148	4	0
Other interest-related contracts	0	0	0	12	0	0
Total portfolio of derivative assets/ (liabilities) from fair value hedges	**58,115**	**1,708**	**2,413**	**39,224**	**1,120**	**2,645**
Cash flow hedges						
Credit default swaps	0	0	0	1	1	1
Total portfolio of derivative assets/ (liabilities) from cash flow hedges	**0**	**0**	**0**	**1**	**1**	**1**
Total portfolio of derivative assets/ (liabilities) from hedges	**58,115**	**1,708**	**2,413**	**39,225**	**1,121**	**2,645**
Total portfolio of derivative assets/(liabilities)	**129,896**	**2,613**	**2,973**	**210,256**	**1,964**	**3,646**

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 and banking book derivatives			
	Positive fair values 2001	Negative fair values 2001	Positive fair values 2002	Negative fair values 2002	Positive fair values 2001	Negative fair values 2001	Positive fair values 2002	Negative fair values 2002
Less than 3 months	120	87	35	47	53	83	261	260
3 months to 1 year	395	133	69	52	63	165	110	261
1 to 5 years	653	1,071	729	1,726	434	214	310	259
More than 5 years	540	1,122	288	820	355	98	162	221
	1,708	**2,413**	**1,121**	**2,645**	**905**	**560**	**843**	**1,001**

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	Positive fair values 2002	Negative fair values 2002
Banks in OECD countries	2,519	2,729	1,890	3,426
Public institutions in OECD countries	94	244	73	197
Other counterparties in OECD countries	0	0	1	23
	2,613	**2,973**	**1,964**	**3,646**

45.1.3 Fair values of financial instruments carried at amortized cost or at the hedged fair value

In accordance with IAS 39.166 in conjunction with IAS 32, both the carrying amounts and the full fair values must be disclosed for financial instruments carried at amortized cost or at the hedged fair value. As defined by IAS 39, full 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 full fair value is expressed by the market or quoted exchange price at the reporting date. Because there is not an active market for all assets, the full 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 full fair value are based on market conditions at the balance sheet date.

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

Carrying amounts/Fair values

in €m	2001		2002	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash reserve	1,373	1,373	1,307	1,307
Loans and advances to other banks	35,531	35,567	36,044	36,891
Loans and advances to customers	38,853	39,242	39,517	39,895
Allowance for losses on loans and advances	-621	-621	-588	-588
Investment securities	14,010	14,353	17,195	17,837
Liabilities				
Deposits from other banks	26,819	19,096	28,300	29,011
Amounts due to customers	62,272	69,583	66,665	66,619
Securitized and subordinated liabilities	40,587	41,539	35,947	36,714

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

Derivatives

As part of Deutsche Post World Net's risk management strategy, derivatives are used to offset risks from exchange rate, interest rate and commodity price movements. Derivatives may generally be used only if they can be allocated to an underlying. If possible and economically feasible, the financial derivatives employed should satisfy the IAS 39 hedge accounting criteria. The derivatives held by the companies are continually measured and recognized at their fair values.

• Liquidity management

Deutsche Post World Net's liquidity management functions ensure a sufficient supply of liquidity for participating Group companies, and eliminate or reduce unexpected financial events (financing and investment risk) for Deutsche Post World Net.

A bond (first tranche: €750 million, 4.25% bond of 2002/2007 and second tranche: €750 million, 5.125% bond of 2002/2012) was issued by Deutsche Post Finance B.V., Rotterdam, in October 2002; this bond is guaranteed by Deutsche Post AG. These cash funds and the existing credit lines extended by banks (of which around 17% had been drawn down at year-end) give us sufficient funds to finance both our growth strategy and our planned investments.

• Currency risk and currency management

Currency risks arise in our operations where receivables and liabilities are denominated in a currency other than the company's local currency. Currency risks are hedged using currency forwards, currency options, currency swaps and cross-currency swaps. Planned and binding contracts for future transactions relating to the supply of goods and services were hedged in the amount of €1.3 billion. There was a negative net fair value of €36 million at the end of 2002. Short-term currency swaps amounting to €1.2 billion were entered into to hedge intragroup financing and investments. The net positive fair value at the balance sheet date amounted to €35 million.

Compared with the previous year, the open volume of cross-currency swaps rose to €456 million. These are used exclusively to hedge the exchange rate risk from long-term refinancing in foreign currencies. The net fair value amounts to €12 million. With the exception of the cross-currency swaps, all instruments have a maximum of one year to maturity. Each hedging instrument is allocated to a hedged item.

● Commodity price risk

Risks in our commodity management activities arise from price movements for fuels, in particular diesel fuel and kerosene, and directly impact our costs. Fuel worth €93 million was hedged at the balance sheet date. The net positive fair value was €11 million.

● Interest rate risk and interest rate management

Interest rate risk arises from changes in market interest rates for financial assets and financial liabilities. We study interest rates regularly to quantify the risk profile. Deutsche Post World Net uses interest rate derivatives, such as interest rate swaps and options, to achieve a balanced mix of differing interest rate terms in each portfolio – irrespective of the liquidity tied up in individual financial contracts – and thus limit the interest rate risk.

We use interest rate swaps to modify the fixed interest rates of financial liabilities. Interest rate swaps are structured so that Deutsche Post World Net pays a defined floating rate of interest on a particular amount of notional principal, and receives in return a certain fixed rate of interest on the same amount of notional principal (or vice-versa). However, principal payments are never exchanged, only the interest payments. The maturities of swap contracts are matched to the maturities of the hedged items.

If an interest rate swap contract increases the Company's fixed interest position because it is allocated to a floating rate financial liability, the interest rate swap is classified as a cash flow hedge under IAS 39. By contrast, if the interest rate swap exchanges fixed interest payments for floating rate interest payments, it is classified under IAS 39 as a fair value hedge.

To determine the fair value of an interest rate swap, the expected future cash flows on both legs of the swap – i.e. the fixed interest leg and the floating interest leg – are discounted on the basis of the current yield curve. The difference between the two values calculated produces the net fair value of the interest rate swap. At December 31, 2002, Deutsche Post World Net had entered into interest rate swaps with a notional volume of €1,630 million. The net fair value of this interest rate swap position at the reporting date was €10.5 million.

Interest rate options are used to fix an interest rate cap and floor, but still allow one of the counterparties to take advantage of favorable interest rate movements. If a cap is bought, the floating interest rate is compared with the reference rate at the fixing date. If the interest rate exceeds the cap strike rate of the option, the buyer receives a cash payment in the amount of the difference between the reference interest rate and the cap strike rate from the option. Buying a floor option has the opposite effect of a cap.

The interest rate options traded by Deutsche Post World Net are caps that allow us to take advantage of favorable market developments to a certain extent. The interest rate options are recognized as cash flow hedges under hedge accounting rules.

The fair value of interest rate options is estimated on the basis of option pricing models. At December 31, 2002, Deutsche Post World Net had entered into interest rate options with a notional volume of €150 million and a net negative fair value of €3 million.

- Fair values

The fair values of derivative financial instruments are as follows:

Fair values of derivatives

in €m	2001		2002	
	Notional amount	Net fair value	Notional amount	Net fair value
Interest rate products				
OTC products				
Interest rate swaps	0	0	1,630	10
Interest rate options	0	0	150	-3
Other	0	0	148	-21
	0	**0**	**1,928**	**-14**
Currency derivatives				
OTC products				
Currency forwards	31	0	857	-29
Currency options	30	0	445	-5
Currency swaps	994	-9	1,173	35
Cross-currency swaps	207	11	456	12
Other	0	0	175	9
	1,262	**2**	**3,106**	**22**
Commodities				
Fuel hedging program	0	0	93	11
	0	0	93	11
	1,262	**2**	**5,127**	**19**

46 Contingent liabilities

The Group's contingent liabilities amount to a total of €1,671 million (previous year: €2,098 million). The change is due primarily to lower guarantees and warranty obligations of the Deutsche Postbank group.

47 Litigation

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

The Berlin Regional Court rejected an action by Bundesverband des Deutschen Groß- und Außenhandels against Deutsche Post AG in October 2002. This industry association had claimed that letter postage rates had not been effectively approved by the appropriate authorities. The court rejected this allegation.

Further details can be found in the Group Management Report.

48 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €5,607 million (previous year: €3,827 million) from operating leases as defined by IAS 17.

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

Lease obligations

in €m	2001	2002
Land, land rights and buildings	3,483	4,701
Technical equipment and machinery	146	131
Operating and office equipment	198	408
Aircraft	0	367
	3,827	**5,607**

The increase in future minimum lease payments is due primarily to the first-time full consolidation of DHL International. In addition, the leaseback of real estate transferred to the Pension Trust established in 2002 also had an effect (see note 37).

The maturity structure of future payment obligations from operating leases is presented below:

Maturities

in €m	2001	2002
Minimum lease payments		
Year 1 after reporting date	592	859
Year 2 after reporting date	509	739
Year 3 after reporting date	396	610
Year 4 after reporting date	323	488
Year 5 after reporting date	283	450
Year 6 after reporting date and thereafter	1,724	2,461
	3,827	**5,607**

The present value of discounted minimum lease payments is €4,040 million (previous year: €2,738 million). Overall, rental and lease payments of €1,294 million (previous year: €856 million) arose in 2002, of which €723 million (previous year: €509 million) relates to non-cancelable leases. This increase is also due primarily to the first-time consolidation of DHL International and to the leaseback of sold real estate.

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

Future lease obligations

in €m	2001	2002
Deutsche Post AG	2,163	2,770
DHL International	0	1,246
Danzas group	953	939
Deutsche Postbank group	179	254
Other Group companies	532	398
	3,827	**5,607**

The purchase obligation for investments in noncurrent assets at December 31, 2002 amounted to a total of €1,760 million.

49 Significant events after the balance sheet date

We have acquired a number of additional companies since the beginning of 2003, including the Italian parcel company Casa di Spedizioni Ascoli S.p.A., Milan, which we purchased on January 15, 2003. As part of the STAR program, this company will be integrated into our European parcel network under the DHL brand.

In addition, DHL acquired Mayne Group Canada as of January 31, 2003. With the acquisition of this express service provider, which is known under the name Mayne Logistics Loomis, DHL is further expanding its market share in Canada, thereby systematically strengthening its position in the North American market for ground-based express delivery.

On February 13, 2003, we purchased a 5% share in the leading Chinese transport and logistics company, Sinotrans Ltd., within the framework of its IPO. This will further strengthen our strategic position in the Chinese growth market.

50 Related party disclosures

In addition to the consolidated subsidiaries, Deutsche Post World Net 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 World Net or on which the Group can exercise significant influence are recorded in 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.

Details of obligations to the Federal Republic of Germany relating to contribution payments to Bundes-Pensions-Service für Post und Telekommunikation e.V. can be found in the disclosures in notes 13 and 37.

The remuneration of the Board of Management in fiscal year 2002 amounted to €7.4 million (previous year: €5.8 million). The remuneration was broken down as follows:

Remuneration of the Board of Management

in €m	Fixed salary	Performance-related components	Total
Board of Management	3.8	3.6	7.4

The remuneration of former members of the Board of Management amounted to €1.1 million (previous year: €0.95 million). Provisions for current pensions and pension entitlements were recognized in the amount of €26.0 million (previous year: €21.5 million). No loans of any kind were granted to members of the Board of Management.

The total remuneration paid to members of the Supervisory Board for fiscal year 2002 amounted to €0.6 million (previous year: €0.7 million).

There have been no purchase or sale transactions as defined by section 15a of the WpHG (German Securities Trading Act) by members of the Company's Board of Management or Supervisory Board, or by other persons covered by this provision, since it came into force on July 1, 2002. The aggregate shareholdings of all members of the Board of Management and Supervisory Board amounts to less than 1% of the shares issued by the Company.

51 Significant subsidiaries, joint ventures and associates

Significant subsidiaries, joint ventures and associates

Company	Country	Equity interest and share of voting rights in % Dec. 31, 2001	Equity interest and share of voting rights in % Dec. 31, 2002	Revenue in €m 2001[1]	Revenue in €m 2002[1]	Equity in €m 2002[1]	Profit/Loss in €m 2002[1]
Significant subsidiaries							
MAIL							
Deutsche Post In Haus Service GmbH	Germany	100.00	100.00	57	66	7	5
Merkur Systemhaus für Dialog-Kommunikation GmbH	Germany	100.00	100.00	38	43	19	-1
Deutsche Post Adress GmbH	Germany	51.00	51.00	22	26	5	8
EXPRESS							
Deutsche Post Euro Express Deutschland oHG	Germany	100.00	100.00	[2]	1,437	115	7
DHL US Ground Co.	USA	[2]	100.00	[2]	1,104	305	-34
DHL International (UK) Ltd.	UK	[2]	100.00	[2]	539	72	8
DHL International S.R.L.	Italy	[2]	100.00	[2]	420	20	8
DHL Worldwide Express GmbH	Germany	[2]	100.00	[2]	329	-6	-5
DHL International S.A.	France	[2]	100.00	[2]	309	22	-9
Van Gend & Loos B.V.	The Netherlands	100.00	100.00	299	301	52	0
DHL Japan Inc.	Japan	[2]	100.00	[2]	259	40	4
LOGISTICS							
Air Express International USA, Inc.	USA	100.00	100.00	830	1,251	-134	-13
Danzas S.A.	France	100.00	100.00	907	880	24	2
Danzas GmbH	Germany	100.00	100.00	746	695	25	-33
Danzas ASG Eurocargo AB	Sweden	100.00	100.00	676	688	15	16
Danzas S.p.A.	Italy	100.00	100.00	486	472	22	1
Danzas AEI GmbH	Germany	100.00	100.00	387	354	-21	-4
Danzas AG	Switzerland	100.00	100.00	374	339	37	4
Danzas Euronet GmbH	Germany	100.00	100.00	296	316	5	8
Danzas Limited	UK	100.00	100.00	346	308	32	3
FINANCIAL SERVICES							
Deutsche Postbank AG (subgroup)	Germany	99.99[3]	100.00	7,577	7,475	4,396	140
Significant joint ventures							
Securicor Omega Holdings Ltd.	UK	25.00/50.00[4]	25.00/50.00[4]	686	573	200	1
DHL Sinotrans Express Ltd.	China	50.00	50.00	[2]	77	18	17
Significant associates							
trans-o-flex Schnell-Lieferdienst GmbH	Germany	24.80	24.80	–	–	–	–

1) IAS amounts reported in single-entity financial statements, partly before profit and loss pooling
2) Not a consolidated subsidiary in 2001
3) Refers to share capital of Deutsche Postbank AG
4) 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%

52 Declaration of conformity with the Corporate Governance Code

Deutsche Post AG issued its first declaration of conformity with the Corporate Governance Code for fiscal year 2003 on October 24, 2002. The wording of the declaration of conformity can be downloaded at www.corporate-governance-code.de and from our own homepage at www.dpwn.de.

Bonn, February 24, 2003

Deutsche Post AG
Board of Management

Auditors’ Report

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, consisting of the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements for the business year from January 1 to December 31, 2002. The preparation and the content of the consolidated financial statements according to the International Accounting Standards of the IASB (IASs) are the responsibility of the Company’s Board of Management. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with IASs.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) as well as in accordance with the International Standards on Auditing (ISA). 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 the Board of 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 business year in accordance with IASs.

Our audit, which according to German auditing regulations also extends to the Group Management Report prepared by the Board of Management for the business year from January 1 to December 31, 2002, 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. In addition, we confirm that the consolidated financial statements and the Group Management Report for the business year from January 1 to December 31, 2002 satisfy the conditions required for the Company’s exemption from its duty to prepare consolidated financial statements and the Group Management Report in accordance with German accounting law.

Düsseldorf, February 24, 2003

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Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Income Statement (Postbank at Equity)

For the period January 1 to December 31

in €m	Deutsche Post World Net 2001	Deutsche Post World Net 2002
Revenue	26,408	32,343
Other operating income	1,093	1,479
Total operating income	**27,501**	**33,822**
Materials expense	-10,444	-12,435
Staff costs *	-10,647	-13,134
Depreciation and amortization expense excluding goodwill amortization	-943	-1,292
Other operating expenses	-3,420	-6,426
Total operating expenses excluding goodwill amortization	**-25,454**	**-33,287**
Profit from operating activities before goodwill amortization (EBITA)	**2,047**	**535**
Goodwill amortization	-169	-448
Profit from operating activities after goodwill amortization (EBIT)	**1,878**	**87**
Net loss from associates	-130	-1
Net income from measurement of Deutsche Postbank group at equity	379	1,640
Net other finance costs	-115	-137
Net financial income	**134**	**1,502**
Profit from ordinary activities	**2,012**	**1,589**
Income tax expense	-426	-8
Net profit for the period before minority interest and extraordinary expense	**1,586**	**1,581**
Minority interest	-9	-15
Extraordinary expense	0	-907
Consolidated net profit for the period	**1,577**	**659**

* Prior-period amount restated (see note 7 to the consolidated financial statements of Deutsche Post AG for the period ended December 31, 2002)

Balance Sheet (Postbank at Equity)

As of December 31

in €m	Deutsche Post World Net 2001	Deutsche Post World Net 2002
Assets		
Noncurrent assets		
Intangible assets	3,195	4,937
Property, plant and equipment	7,373	8,108
Noncurrent financial assets		
Investments in associates	1,108	126
Investments in the Deutsche Postbank group	3,337	4,405
Other noncurrent financial assets	948	197
	5,393	4,728
	15,961	**17,773**
Current assets		
Inventories	159	211
Receivables and other assets	4,641	5,931
Receivables and other securities from financial services	0	0
Current financial instruments	39	3
Cash and cash equivalents	594	1,827
	5,433	**7,972**
Deferred tax assets	**667**	**862**
Total assets	**22,061**	**26,607**
Equity and liabilities		
Equity		
Issued capital	1,113	1,113
Reserves*	2,663	3,323
Consolidated net profit*	1,577	659
	5,353	**5,095**
Minority interest	**16**	**103**
Provisions		
Provisions for pensions and other employee benefits	6,075	5,729
Tax provisions	574	772
Other provisions	2,681	4,529
	9,330	**11,030**
Liabilities		
Financial liabilities	2,383	3,816
Trade payables	2,279	2,629
Liabilities from financial services	0	0
Other liabilities	2,700	3,934
	7,362	**10,379**
Total equity and liabilities	**22,061**	**26,607**

* Prior-period amount restated (see note 7 to the consolidated financial statements of Deutsche Post AG for the period ended December 31, 2002)

Cash Flow Statement (Postbank at Equity)

For the period January 1 to December 31 in €m	Deutsche Post World Net 2001	Deutsche Post World Net 2002
Net profit before taxes and extraordinary expense *	2,012	1,589
Extraordinary expense	0	-907
Net profit before taxes	2,012	682
Gains on disposal of noncurrent assets	-144	-315
Depreciation and amortization expense	1,162	1,777
Non-cash income and expense *	229	87
Net income from measurement at equity	-379	-1,640
Net interest income	148	92
Net profit before changes in working capital	**3,028**	**683**
Changes in working capital		
Inventories	10	-6
Receivables and other assets	100	302
Current financial instruments	-7	32
Receivables and other securities/liabilities from financial services	0	0
Provisions	-177	1,540
Liabilities and other items	-157	536
Net cash from operations/Cash flow I	**2,797**	**3,087**
Interest paid	-197	-186
Interest and dividends received	47	104
Postbank dividend	0	137
Taxes paid	-54	-49
Net cash from operating activities/Cash flow II	**2,593**	**3,093**
Proceeds from disposal of noncurrent assets		
Divestitures	2	0
Other noncurrent assets	1,029	667
	1,031	**667**
Cash paid to acquire noncurrent assets		
Acquisition of companies	-919	-1,197
Other noncurrent assets	-2,132	-1,588
	-3,051	**-2,785**
Net cash used in investing activities	**-2,020**	**-2,118**
Proceeds from issue of financial liabilities	335	2,854
Repayment of financial liabilities	-527	-2,184
Dividends and other payments to owners	-300	-412
Net cash from (previous year: used in) financing activities	**-492**	**258**
Net change in cash and cash equivalents	81	1,233
Cash and cash equivalents at Jan. 1	513	594
Cash and cash equivalents at Dec. 31	**594**	**1,827**

* Prior-period amount restated (see note 7 to the consolidated financial statements of Deutsche Post AG for the period ended December 31, 2002)

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

The activities of the Deutsche Postbank group differ substantially from the ordinary activities of the other companies in Deutsche Post World Net. 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 for the period ended December 31, 2002. The Deutsche Postbank group is accounted for in these financial statements only as a financial investment carried at equity.

The consolidated financial statements of Deutsche Post AG including the Deutsche Postbank group at equity were prepared in accordance with the International Accounting Standards (IASs, in future: "International Financial Reporting Standards" – IFRSs) adopted and published by the International Accounting Standards Board (IASB), and with the interpretations issued by the Standing Interpretations Committee (SIC, now renamed "International Financial Reporting Interpretations Committee" – IFRIC), required to be applied as of the reporting date.

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 of Deutsche Post AG, 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 noncurrent financial assets.

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 and the income from the reversal in full of the negative goodwill of the Deutsche Postbank group.

Review Report

Deutsche Post AG, Bonn, has prepared consolidated financial statements for the fiscal year January 1 to December 31, 2002 in accordance with International Accounting Standards (IASs) that qualify as statutory exempting consolidated financial statements pursuant to 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 financial statements (modified financial information "financial statements Postbank at equity") based on the statutory exempting consolidated statements in accordance with section 292a HGB. This modified financial information provides additional 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 as described in the Explanatory Notes to the Modified Financial Information including the Deutsche Postbank Group at Equity. This modified financial information is not intended to provide a true and fair view of the financial position and results of operations in accordance with IASs.

We have reviewed the accompanying modified financial information 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, 2002. The preparation of the modified financial information is the responsibility of the company's Board of Management. Our responsibility is to issue a review report on these modified financial information based on our review.

We conducted our review 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 financial information is free of material misstatement.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

As discussed in the Explanatory Notes to the Modified Financial Information including the Deutsche Postbank Group at Equity, the Deutsche Postbank group had not been fully consolidated in accordance with IAS 27, but has been included as an associate accounted for at equity. In addition, and as also explained in the Explanatory Notes to the Modified Financial Information including the Deutsche Postbank Group at Equity, the financial information does not include a statement of changes in equity and certain explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying modified financial information has not been properly prepared, in all material respects, in accordance with the accounting policies set out in the Explanatory Notes to the Modified Financial Information including the Deutsche Postbank Group at Equity.

Without qualifying our opinion, we emphasize that the modified financial information does not, and is not intended to, provide a complete set of financial statements in accordance with International Accounting Standards.

Düsseldorf, February 24, 2003

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Wirtschaftsprüfungsgesellschaft

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

Summary of the HGB Annual Financial Statements of Deutsche Post AG

As additional information, we have compiled the following table showing the significant adjustments between the net income for the year reported in Deutsche Post AG's HGB single-entity financial statements and the net profit for the period disclosed in the IAS single-entity financial statements. The income statement, balance sheet and cash flow statement of the single-entity financial statements are also presented.

The complete annual financial statements of Deutsche Post AG, issued with an unqualified audit opinion, will be published in the Bundesanzeiger (Federal Gazette) and filed with the Registry Court of the Bonn Local Court.

Net income for the year

Reconciliation between the HGB and IAS single-entity financial statements

For the period January 1 to December 31			
in €m		2001	2002
Net income for the year (HGB)		**1,965**	**1,406**
Adjustments			
Provisions for pensions	A	79	205
Pension Trust	B	0	129
Deferred taxes	C	-391	95
Internally developed software	D	29	75
Remeasurement of fixed assets	E	-105	-64
Other provisions/Accruals	F	-66	-18
Gain from merger of Deutsche Post Beteiligungen GmbH	G	0	17
Other		-3	-7
		-457	**432**
Net profit for the period (IAS)		**1,508**	**1,838**

Explanation

Reconciliation between HGB net income for the year/IAS net profit for the period

A Provisions for pensions

Provisions for pensions are calculated differently under HGB and IASs. While the net present value is calculated in accordance with section 6a EStG (German Income Tax Act) under HGB, IASs use the projected unit credit method, which takes future trends into account (wage increases, etc.).

B Pension Trust

The transfer of real estate as "plan assets" in accordance with IAS 19 to Deutsche Post Pensionsfonds GbR led to the recognition of income from asset disposals and expenses from leasebacks in the IAS financial statements only.

C Deferred taxes

Deferred taxes relate to differences in the carrying amounts of individual asset and liability items in the tax accounts and the IAS financial accounts. Deferred tax assets from loss carryforwards are reported, as are temporary differences related to noncurrent assets, provisions and transfers of real estate to Deutsche Post Pensionsfonds GbR.

D Internally developed software

Internally developed software may not be capitalized under the HGB but must be capitalized under IASs. Internally developed software capitalized under IASs – in contrast to HGB – is amortized over its respective useful life.

E Remeasurement of fixed assets

In the past, different useful lives led to different HGB/IAS carrying amounts and thus to differences with respect to gains/losses from disposal as well as to depreciation and amortization. (Note: HGB/IAS useful lives have been matched since the end of 1999.)

F Other provisions/Accruals

Provisions for future internal expenses that are permitted under the HGB are eliminated under IASs. Under IASs, provisions for expenses that are less likely than not to be settled (50% plus rule) or that are still dependent on a future event are disclosed in the Notes and are not recognized (contingent liability).

G Gain from merger of Deutsche Post Beteiligungen GmbH

Within the framework of the merger of Deutsche Post Beteiligungen GmbH with Deutsche Post AG, loss carryforwards were transferred to Deutsche Post AG that led to the recognition of merger income.

Income statement

For the period January 1 to December 31

in €m	DPAG 2001	DPAG 2002
Sales	15,179	14,831
Other operating income	1,229	1,105
Total operating income	**16,408**	**15,936**
Cost of materials	3,550	3,669
Personnel expenses	8,064	8,363
Depreciation and amortization	613	650
Other operating expenses	2,261	2,415
Total operating expenses	**14,488**	**15,097**
Financial result	45	193
Result from ordinary activities	**1,965**	**1,032**
Extraordinary result	0	374
Taxes on income	0	0
Net income for the year	**1,965**	**1,406**
Retained profits brought forward	1,458	1,965
Distribution	300	412
Change in revenue reserves	1,158	1,553
Net retained profit	**1,965**	**1,406**

Balance sheet

As of December 31

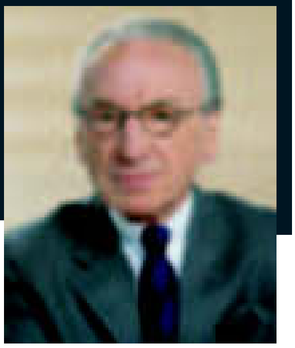
in €m	DPAG 2001	DPAG 2002
Assets		
Fixed assets		
Intangible assets	78	37
Tangible assets	5,846	5,509
Financial assets	7,645	10,334
	13,569	**15,880**
Current assets		
Inventories	101	84
Receivables and other assets	3,624	2,892
Cash-in-hand, central bank balances, bank balances and checks	151	763
	3,876	**3,739**
Prepaid expenses	**162**	**167**
	17,607	**19,786**
Equity and liabilities		
Equity		
Subscribed capital	1,113	1,113
Capital reserves	1,538	1,538
Revenue reserves	1,362	2,915
Net income for the year	1,965	1,406
	5,978	**6,972**
Provisions	**8,207**	**9,823**
Liabilities	**3,311**	**2,884**
Deferred income	**111**	**107**
	17,607	**19,786**

Cash flow statement*

For the period January 1 to December 31

in €m	DPAG 2001	DPAG 2002
Cash flows from operating activities	2,277	2,810
Cash flows from investing activities	-1,529	-1,385
Cash flows from financing activities	-651	-813
Net change in cash and cash equivalents	**97**	**612**

* in accordance with GAS 2 (HGB)



Josef Hattig

Chairman of the Supervisory Board

Josef Hattig trained as a commercial clerk before embarking on a degree course in law and political science. 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 a Senator in Bremen, first responsible for SMEs, technology, European and economic affairs, and then, starting in July 1999, for economic affairs and the city's ports. Hattig was also President of the German Brewers' Association and Chairman of Bremen's Chamber of Commerce.

Report by the Supervisory Board

In the year under review, the Supervisory Board performed the duties assigned to it by law and the Articles of Association. In addition to regularly advising and monitoring the Board of Management, the Supervisory Board was involved in important Company decisions. In fiscal year 2002, the Board of Management regularly informed the Supervisory Board in a timely and comprehensive manner of all issues concerning the Company's planning, business development, risks, risk management, strategic measures, as well as important business transactions and projects. In particular, all measures requiring the approval of the Supervisory Board were discussed at length, as was the Company's strategic focus. The Chairman of the Supervisory Board was continuously informed about important business transactions and forthcoming decisions and kept in constant contact with the Chairman of the Board of Management.

The Supervisory Board met twice in the first half of the fiscal year and three times in the second half. All Supervisory Board members participated in the respective resolutions at these meetings.

The Supervisory Board and the Board of Management held intensive discussions regarding the Group-wide STAR value creation program as well as the planned reorganization and integration of the EXPRESS and LOGISTICS Corporate Divisions into a single Corporate Division called EXPRESS/LOGISTICS. Their discussions also focused on the MAIL Corporate Division's European strategy, including its entry onto the Dutch market. Another major topic was the acquisition of equity interests, particularly the increase in the Company's interest in DHL International Ltd. to 100%.

The Executive Committee of the Supervisory Board met four times. The main issues discussed at these meetings were the preparations for the Supervisory Board meetings and, in particular, corporate governance.

The meetings of the Personnel Committee were focused in particular on the development of the Group's human resources structures and on the status of the ongoing projects for the optimization of human resources processes.

The Finance and Audit Committee held five meetings in which it discussed at length the annual financial statements of Deutsche Post AG and the Group for fiscal year 2001, as well as the respective management reports and the key points of the business plan for 2003.

The acquisition of equity investments and real estate transactions were also discussed. In addition, the Committee conferred at length about the tasks it will be required to perform as a result of the implementation of the German Corporate Governance Code.

The Mediation Committee set up in accordance with section 27 (3) of the Mitbestimmungsgesetz (MitbestG – German Co-Determination Act) did not meet in the fiscal year under review.

The auditors issued an unqualified opinion on the annual financial statements of Deutsche Post AG and the Group, including the respective management reports, for fiscal year 2002. They also audited the Board of Management's report on affiliated companies (dependent company report) prepared in compliance with section 312 of the Aktiengesetz (AktG – 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 annual financial statements of Deutsche Post AG and the Group, the respective management reports, the Board of Management's report on affiliated companies, and the audit reports prepared by the Company's auditor PwC Deutsche Revision AG in Düsseldorf were made available to and examined by all members of the Supervisory Board. The Supervisory Board discussed these documents in the presence of the auditors, who reported on the key results of their audit and were available to answer questions. The Supervisory Board took note of and concurred with the results of the audit of the annual financial statements and the dependent company report. Based on the results of its own examination, the Supervisory Board did not raise any objections to the annual and consolidated financial statements or the final declaration by the Board of Management in the dependent company report and thus approved the annual financial statements of Deutsche Post AG and the Group. The Supervisory Board endorses the Board of Management's proposal for the appropriation of the unappropriated surplus.

Based on the results of extensive discussions held by the Executive Committee and the Finance and Audit Committee, the Supervisory Board unanimously passed the resolutions necessary to implement the recommendations set forth in the German Corporate Governance Code.

The following changes were made in the composition of the Supervisory Board in fiscal year 2002:

Martin Seiler was appointed to the Supervisory Board as of February 8, 2002 and stepped down from his office as of December 31, 2002. Siegfried Schulze, who retired from the Supervisory Board as of July 31, 2002, was replaced by Dirk Marx as of August 16, 2002.

The Supervisory Board would like to thank its former members, the Board of Management and all Group employees for their commitment and successful efforts in fiscal year 2002 despite a difficult global economic environment.

Bonn, March 20, 2003

The Supervisory Board

Josef Hattig
Chairman

Report by the Board of Management and Supervisory Board on Corporate Governance

At Deutsche Post AG, one of the most important goals of responsible company management is achieving an optimally balanced division of tasks and responsibilities between the Supervisory Board and the Board of Management. Good corporate governance should aim to generate a sustained increase in the Company's value while promoting the confidence of investors, customers, employees and the public in the management and supervision of Deutsche Post AG.

As an Aktiengesellschaft (German public company) subject to German law, Deutsche Post AG is managed by its Board of Management and supervised by its Supervisory Board. The cooperation between these two executive bodies is defined by the Company's Articles of Association as resolved by the Annual General Meeting, the by-laws of the Supervisory Board and the Board of Management, as well as by the resolutions and actions of the executive bodies within the framework of the relevant statutory provisions.

Based on intensive discussions held by the Executive Committee and the Finance and Audit Committee of the Supervisory Board, and following their own in-depth examination, both the Board of Management and the Supervisory Board unanimously resolved to fully comply with the recommendations of the German Corporate Governance Code in fiscal year 2003.

Deutsche Post AG's business practices already fulfilled the Code's recommendations to a large extent in the past, and only a few amendments to the by-laws of the Supervisory Board and the resolutions of the Board of Management and the Supervisory Board were necessary. Among other things, we defined in greater detail the Board of Management's information and reporting duties to the Supervisory Board. We also fully implemented the rule regarding the handling of conflicts of interest as set forth in the Code. In addition, the Finance Committee was renamed the Finance and Audit Committee, and the tasks and responsibilities of this Committee with regard to accounting and auditing were formally incorporated in the by-laws.

Since the Company's Articles of Association provide for fixed compensation of Supervisory Board members without taking into account membership in the committees, the Board of Management and the Supervisory Board will recommend to the Annual General Meeting on June 5, 2003 that the Articles of Association be amended to include a provision for performance-related compensation that takes into account chairing and membership of Supervisory Board committees when specifying compensation. After a corresponding resolution is passed by the Annual General Meeting, the Board of Management and the Supervisory Board will fully comply with the recommendations of the Code.

Committees

The Supervisory Board has created four committees composed of its members:

Executive Committee

Shareholders' representatives

Josef Hattig (Chair)
Hero Brahms
Dr. Manfred Overhaus

Employees' representatives

Rolf Büttner (Deputy Chair)
Martin Seiler
Margrit Wendt

Personnel Committee

Shareholders' representatives

Josef Hattig (Deputy Chair)
Hero Brahms

Employees' representatives

Rolf Büttner (Chair)
Margrit Wendt

Mediation Committee

in accordance with section 27 (3) MitbestG

Shareholders' representatives

Josef Hattig (Chair)
Hero Brahms

Employees' representatives

Rolf Büttner (Deputy Chair)
Margrit Wendt

Finance and Audit Committee

Shareholders' representatives

Dr. Manfred Lennings (Chair)
Dr. Manfred Overhaus
Prof. Ralf Krüger

Employees' representatives

Martin Seiler (Deputy Chair)
Dirk Marx
Margrit Wendt

As of December 31, 2002

Mandates held by members of the Board of Management in supervisory boards and other supervisory bodies

Members of the Board of Management

Dr. Klaus Zumwinkel (Chair)

Membership of supervisory boards required by law

Deutsche Postbank AG [1] (Chair)

Allianz Versicherungs-AG

Deutsche Lufthansa AG

Tchibo Holding AG

Membership of comparable bodies*

Danzas Holding AG [1], Switzerland (Supervisory Board/Chair)

Deutsche Post Beteiligungen GmbH [1] (Supervisory Board/Chair, until Aug. 28, 2002, company merged)

Deutsche Post Ventures GmbH [1] (Investment Committee)

DHL Worldwide Express B.V. [1], the Netherlands (Board of Directors)

C.V. International Post Corp. U.A., Belgium (Board of IPC/Deputy Chair)

Dr. Frank Appel (from Nov. 1, 2002)

Membership of comparable bodies*

Deutsche Post Ventures GmbH [1] (Investment Committee)

DHL Worldwide Express B.V. [1], the Netherlands (Board of Directors)

Uwe R. Dörken

Membership of comparable bodies*

DHL Worldwide Express B.V. [1], the Netherlands (Board of Directors/Chair)

Aerologic GmbH (Supervisory Board)

Document Handling Limited SA, Morocco (Supervisory Board/Chair)

Dr. Edgar Ernst

Membership of supervisory boards required by law

Deutsche Postbank AG [1]

Membership of comparable bodies*

Deutsche Post Beteiligungen GmbH [1] (Supervisory Board, until Aug. 28, 2002, company merged)

Deutsche Post Ventures GmbH [1] (Investment Committee)

Bundesanstalt für Post und Telekommunikation (Administrative Board, until Apr. 30, 2002)

Dr. Peter E. Kruse

Membership of comparable bodies*

Danzas Holding AG [1], Switzerland (Supervisory Board)

Deutsche Post Euro Express GmbH [1] (Advisory Board)

Deutsche Post Global Mail GmbH [1] (Advisory Board)

DHL Worldwide Express B.V. [1], the Netherlands (Board of Directors)

Guipuzcoana (Narrondo Desarrollo S.L.) [1], Spain (Board of Directors)

Securicor Omega Holdings Ltd. [1], United Kingdom (Board of Directors)

Dr. Hans-Dieter Petram

Membership of supervisory boards required by law

Deutsche Postbank AG [1]

TALANX AG

Membership of comparable bodies*

Deutsche Post Bauen GmbH [1] (Advisory Board/Chair)

Deutsche Post Immobilienentwicklung GmbH [1] (Advisory Board/Chair)

Deutsche Post Immobilienservice GmbH [1] (Advisory Board/Chair)

Walter Scheurle

Membership of comparable bodies*

Bundesanstalt für Post und Telekommunikation (Administrative Board, from May 1, 2002)

Prof. Wulf von Schimmelmann

Membership of supervisory boards required by law

DSL Holding AG [1] (in liquidation) (Chair)

PB Lebensversicherung AG [1] (Chair)

PB Versicherung AG [1] (Chair)

Postbank Systems AG [1] (Chair, until July 3, 2002)

Membership of comparable bodies*

PB Fund Services GmbH [1] (company renamed, new name: Deutsche Postbank Financial Services GmbH) (Supervisory Board/Deputy Chair)

PB (USA) Capital Corp. [1] (Board of Directors/Chair)

PB (USA) Holdings Inc. [1] (Board of Directors/Chair)

accenture Corp., Irving (Texas, USA) (Board of Directors)

Bundesverband öffentlicher Banken Deutschlands e.V. (VÖB) (Board of Management)

Landeszentralbank Nordrhein-Westfalen, Düsseldorf (Advisory Board/ Deputy Member, until Aug. 31, 2002)

Mandates held by members of the Supervisory Board in other supervisory boards and supervisory bodies

Shareholders' representatives

Josef Hattig (Chair)

Membership of supervisory boards required by law

Bremen Marketing GmbH [2] (Chair)
Bremer Design [2] (Chair)
Bremer Gesellschaft für Investitionsförderung und Stadtentwicklung mbH [2]
Bremer Investitionsgesellschaft [2] (Chair)
Bremer Lagerhaus-Gesellschaft AG (Chair)
Bremer Landesbank
Flughafen Bremen [2] (Chair)
Hanseatische Veranstaltungsgesellschaft [2] (Chair)

Membership of comparable bodies*

Hapag-Lloyd AG (Advisory Board)

Willem G. van Agtmael

Membership of comparable bodies*

Energie Baden-Württemberg AG (Advisory Board)
Landesbank Baden-Württemberg (Advisory Board)

Hero Brahms

Membership of supervisory boards required by law

Georgsmarienhütte Holding GmbH

Membership of comparable bodies*

M. M. Warburg & Co. KGaA (Shareholders' Committee)

Dr. Jürgen Großmann

Membership of supervisory boards required by law

a.i.s AG
ASL Aircraft Services Lemwerder GmbH
Klöckner & Co. AG
SURTECO AG
Wilhelm Karmann GmbH

Membership of comparable bodies*

Ardex GmbH (Advisory Board)
Dresdner Bank AG (Advisory Board)
Gesellschaft für Stromwirtschaft m.b.H. (Advisory Board)
RAG Trading International (Advisory Board)
RWE Wirtschaftsbeirat (Advisory Board)

Prof. Ralf Krüger

Membership of supervisory boards required by law

Deutsche Postbank AG

Dr. Manfred Lennings

Membership of supervisory boards required by law

Bayer AG (until April 26, 2002)
Gildemeister AG (Chair)
Heitkamp-Deilmann-Haniel GmbH (Chair)
IVG Holding AG

Dr. Manfred Overhaus

Membership of supervisory boards required by law

Deutsche Bahn AG (until Dec. 31, 2002)
Deutsche Telekom AG (from Nov. 28, 2002)

Membership of comparable bodies*

GEBB mbH (Supervisory Board)

Alfred N. Schindler

Membership of comparable bodies*

ADIN AG, Hergiswil (Supervisory Board/Chair)
Schindler Aufzüge AG, Ebikon [1] (Supervisory Board)
Schindler Elevator Corporation, North America [1] (Board of Directors)

Jürgen Sengera

Membership of supervisory boards required by law

AXA Konzern AG
Ford Deutschland Holding GmbH
Ford-Werke AG
INTERSEROH AG
WestLB Systems GmbH [1] (Chair)

Membership of comparable bodies*

Deutsche Anlagen-Leasing GmbH (Chair)
DGZ-DekaBank Deutsche Kommunalbank (Administrative Board/1st Deputy Chair)
Landesbank Rheinland-Pfalz Girozentrale (Administrative Board/Deputy Chair)
Landesbank Schleswig-Holstein Girozentrale (Administrative Board/2nd Deputy Chair)
Liquiditäts- und Konsortialbank GmbH (Administrative Board/Deputy Member)
Rockwool Beteiligungs GmbH
Rockwool International A/S (Board of Directors)
Westdeutsche ImmobilienBank (Administrative Board/Chair)

Employees' representatives

Rolf Büttner (Deputy Chair)

Membership of supervisory boards required by law

Polizeiversicherungs-AG
Vereinigte Postversicherung VVaG

Henry Hillmann

Membership of comparable bodies*

Iduna/Nova (Policyholders' Advisory Board)

Dirk Marx (from Aug. 16, 2002)

Membership of comparable bodies*

Postbank Pensionsfonds AG [1] (Advisory Board)

Franz Schierer

Membership of supervisory boards required by law

PSD-Bank RheinNeckarSaar eG (from May 22, 2002)

Siegfried Schulze (until July 31, 2002)

Membership of supervisory boards required by law

Vereinigte Postversicherung VV aG
VPV AG

Membership of comparable bodies*

Bundesanstalt für Post und Telekommunikation (Administrative Board, until July 31, 2002)

Margrit Wendt

Membership of comparable bodies*

Bundesanstalt für Post und Telekommunikation (Administrative Board, from Aug. 1, 2002)

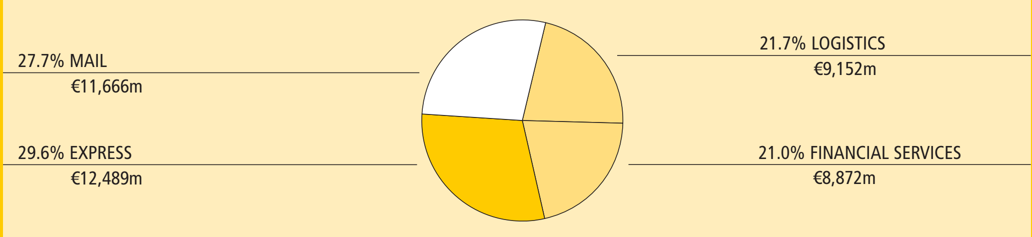
* Membership of comparable national and international supervisory bodies
1) Group mandate
2) Mandate held on behalf of the Free Hanseatic City of Bremen

Financial Highlights

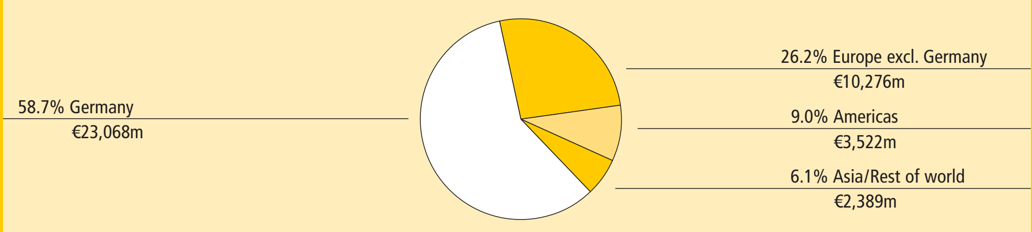
		2001	2002	Change in %
Total revenue	in €m	33,379	39,255	17.6
thereof international revenue	in €m	10,981	16,187	47.4
Profit from operating activities before goodwill amortization (EBITA)	in €m	2,547	2,421	-4.9
Return on sales [1]	in %	7.6	6.2	
Net profit for the period before minority interest and extraordinary expense	in €m	1,587	1,590	0.2
Cash flow [2]	in €m	3,133	2,850	-9.0
Investments	in €m	3,468	3,100	-10.6
Equity	in €m	5,353	5,095	-4.8
Return on equity before taxes [3]	in %	45.9	35.5	
Number of employees as of Dec. 31	headcount	321,369	371,912	15.7
Earnings per share	in €	1.42	0.59	
Cash flow per share [2]	in €	2.82	2.56	

1) EBITA/revenue 2) Cash flow I 3) Profit from ordinary activities less extraordinary expense/average equity

Revenue by Corporate Division



Revenue by region



Financial Calendar

March 25, 2003	Financials press and analyst conference [1] on fiscal 2002 Publication of 2002 Annual Report
May 7, 2003	Analyst conference call on Q1
June 5, 2003	Annual General Meeting [2]
July 30, 2003	Press and analyst conference on H1
October 31, 2003	Analyst conference call on Q1–Q3

1) **Live Internet broadcast** at http://investorrelations.dpwn.de
2) **Live Internet broadcast** of the speech by the Chairman of the Board of Management at http://investorrelations.dpwn.de

Subject to correction – changes may be made at short notice

Group 6-Year Review

1997 – 2002

		1997	1998	1999	2000	2001	2002
Revenue and earnings							
Revenue							
MAIL	in €m	10,788	11,272	11,671	11,733	11,707	11,666
MAIL share	in %	75.3	74.3	49.1	34.5	32.4 [1]	27.7
EXPRESS	in €m	3,533	3,818	4,775	6,022	6,421	12,489
EXPRESS share	in %	24.7	25.2	20.1	17.7	17.8 [1]	29.6
LOGISTICS	in €m	0	0	4,450	8,289	9,153	9,152
LOGISTICS share	in %	0	0	18.7	24.3	25.3 [1]	21.7
FINANCIAL SERVICES	in €m	0	81	2,871	7,990	8,876 [1]	8,872
FINANCIAL SERVICES share	in %	0	0.5	12.1	23.5	24.5 [1]	21.0
Corporate Divisions total	in €m	14,321	15,171	23,767	34,034	36,157 [1]	42,179
Other/Consolidation	in €m	-189	-502	-1,404	-1,326	-2,778 [1]	-2,924
Total	in €m	**14,132**	**14,669**	**22,363**	**32,708**	**33,379**	**39,255**
EBITDA	in €m	**1,299**	**1,554**	**1,830**	**3,426**	**3,611** [1]	**3,824**
Profit from operating activities before goodwill amortization (EBITA)							
MAIL	in €m	599	944	1,009	2,004	1,960	1,658
MAIL share	in %	110.1	101.1	91.7	74.3	69.6 [1]	60.4
EXPRESS	in €m	-55	-7	60	76	176	243
EXPRESS share	in %	n/a	n/a	5.5	2.8	6.2 [1]	8.8
LOGISTICS	in €m	0	0	-27	113	159	224
LOGISTICS share	in %	0	0	n/a	4.2	5.6 [1]	8.2
FINANCIAL SERVICES	in €m	0	-4	58	505	522 [1]	621
FINANCIAL SERVICES share	in %	0	n/a	5.3	18.7	18.5 [1]	22.6
Corporate Divisions total	in €m	544	933	1,100	2,698	2,817 [1]	2,746
Other/Consolidation	in €m	15	-100	-179	-319	-270 [1]	-325
Total	in €m	**559**	**833**	**921**	**2,379**	**2,547** [2]	**2,421**
Return on sales [3]	in %	4.0	5.7	4.1	7.3	7.6	6.2
EBIT	in €m	**556**	**827**	**851**	**2,235**	**2,376** [2]	**1,972**
Net profit for the period before minority interest and extraordinary expense	in €m	**751**	**925**	**1,029**	**1,527**	**1,587** [2]	**1,590**

n/a = not available

1) Restatement of prior-period amounts due to reallocation of retail outlets to FINANCIAL SERVICES

2) Restatement of prior-period amounts, cf. item 7 of the Notes

3) Total EBITA/revenue

1997 – 2002

		1997	1998	1999	2000	2001	2002
Cash flow/investments/depreciation and amortization							
Cash flow [4]	in €m	854	-353	4,845	2,522	3,133	2,850
Investments	in €m	1,084	1,400	4,553	3,113	3,468	3,100
Depreciation and amortization	in €m	743	741	993	1,204	1,285	1,893
Asset and capital structure							
Noncurrent assets	in €m	9,907	9,485	9,791	11,081	12,304	14,536
Current assets	in €m	2,854	4,448	62,957	137,381	142,906	146,665
Deferred tax assets	in €m	1,029	1,187	2,268	1,818	1,491	1,446
Equity	in €m	994	1,765	2,564	4,001	5,353	5,095
Minority interest	in €m	226	229	56	79	75	117
Provisions	in €m	9,293	9,302	11,009	11,107	10,971	12,684
Liabilities [5]	in €m	3,265	3,792	5,913	9,723	8,770	11,900
Deferred items	in €m	12	32	0	0	0	0
Total assets	in €m	**13,790**	**15,120**	**75,016**	**150,280**	**156,701**	**162,647**
Employees/staff costs [2]							
Total workforce (headcount including trainees)	as of Dec. 31	270,817	260,520	301,229	324,203	321,369	371,912
Workforce calculated as FTEs (including trainees)	as of Dec. 31	233,350	223,863	264,424	284,890	283,330	334,952
Workforce calculated as FTEs (excluding trainees)	as of Dec. 31	228,758	218,916	257,836	278,705	276,235	327,676
Average workforce		277,538	263,342	304,265	319,998	323,298	375,890
Staff costs	in €m	9,992	9,860	11,503	11,056	11,246 [2]	13,772
Key figures							
(Diluted) earnings per share [6]	in €	0.67	0.83	0.92	1.36	1.42	0.59
(Diluted) earnings per share [6] before extraordinary expense	in €	0.67	0.83	0.92	1.36	1.42	1.41
Cash flow [4] per share [6]	in €	0.77	-0.32	4.34	2.27	2.82	2.56
Dividend per share [6]	in €	0.05	0.14	0.16	0.27	0.37	0.40
Return on equity before taxes [7]	in %	133.8	63.1	35.9	62.1	45.9	35.5

[4] Cash flow I
[5] Excluding liabilities from financial services
[6] 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 shares)
[7] Profit from ordinary activities less extraordinary expense/average equity

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