# GENERAL INFORMATION

## Business model

### An international service portfolio

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. Under its DHL and Deutsche Post brands, Deutsche Post DHL Group provides an international service portfolio of services in the areas of express delivery, freight transport, supply chain management, e-commerce solutions and letter and parcel dispatch. The Group is organised into five operating divisions: Express; Global Forwarding, Freight; Supply Chain; eCommerce Solutions; and Post & Parcel Germany. Each of the divisions is managed by its own divisional headquarters and subdivided into functions, business units or regions for reporting purposes.

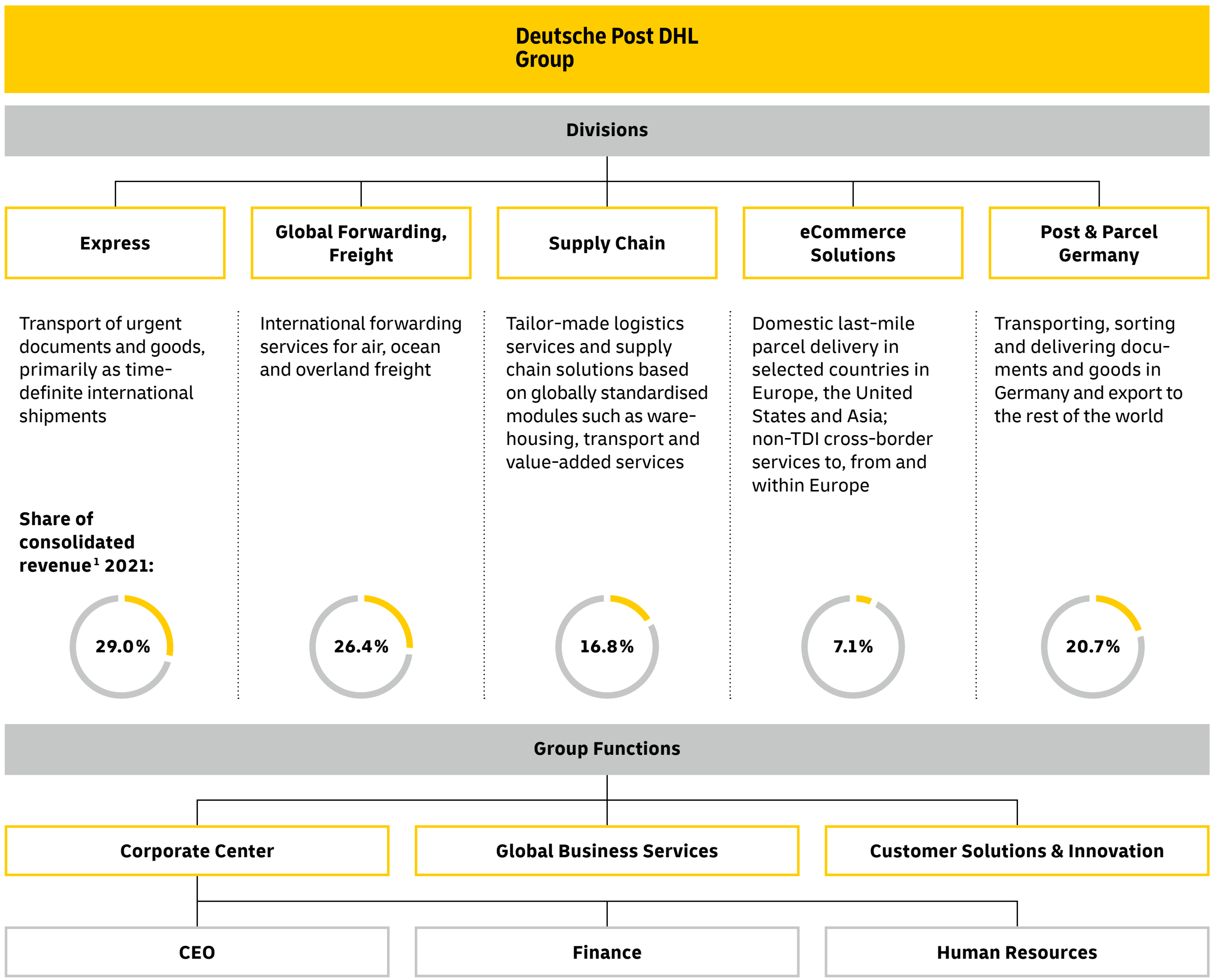
The internal services that support the entire Group are consolidated in our Global Business Services unit. Group management functions are centralised in Group Functions.

### Organisational changes

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

In March 2021, John Pearson's Board of Management term was extended until December 2026. In June 2021, the Board of Management terms of Tobias Meyer and Melanie Kreis were extended to March 2027 and May 2027, respectively.

**Corporate structure as at 31 December 2021**




[1] Note 11 to the consolidated financial statements.

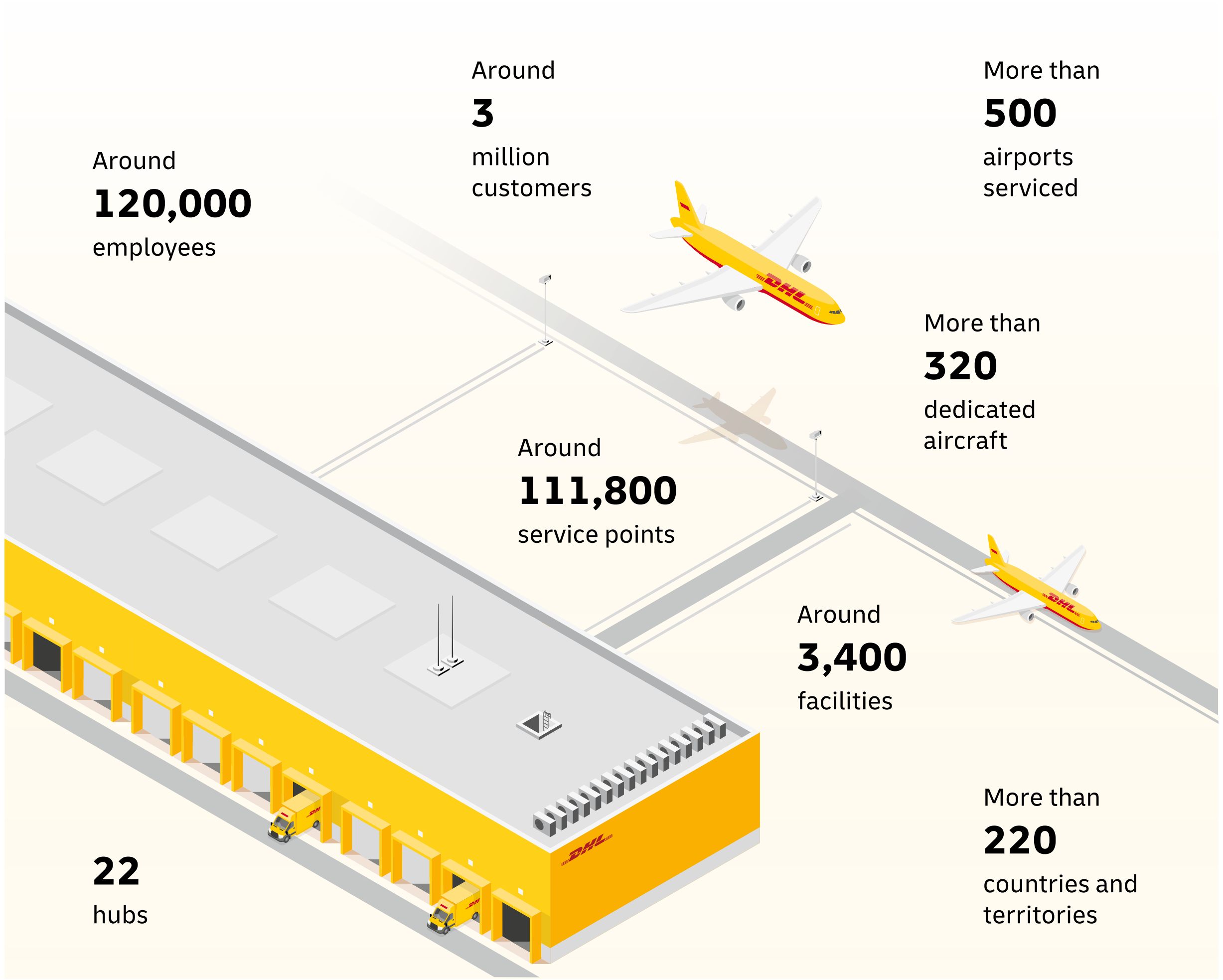
The Supervisory Board resolved the following changes in December 2021: The Board of Management term of Oscar de Bok was extended until September 2027. Frank Appel's term as Chairman of the Board of Management was extended until May 2023. As of 1 July 2022, Tobias Meyer will assume responsibility for Global Business Services. He will be appointed Chairman of the Board of Management on the day after the 2023 Annual General Meeting. Nikola Hagleitner will be appointed as a member of the Board of Management from 1 July 2022 to 30 June 2025. Responsibility for Post & Parcel Germany will be transferred to her.

**A presence that spans the globe**

Deutsche Post DHL Group's locations can be found in the List of shareholdings. The following description of the divisions shows our market shares and market volumes – where available and useful – in the most important regions.

## EXPRESS DIVISION

**A global express network**



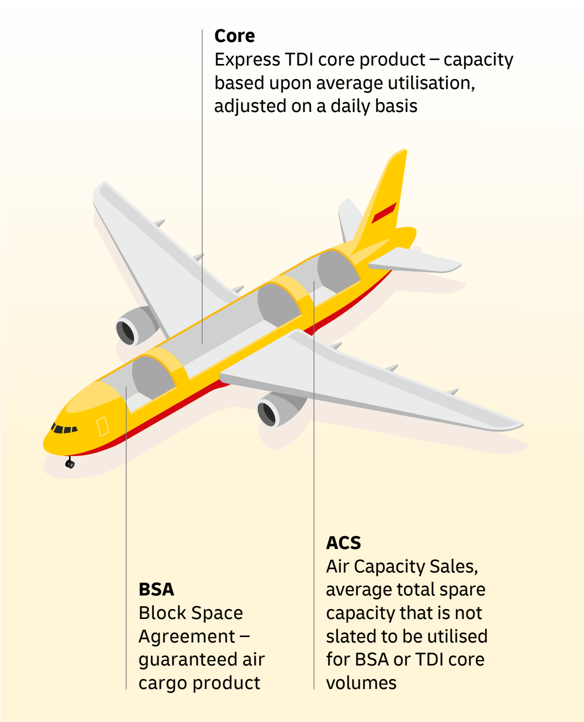
### Time-definite international shipments

In the Express division, we transport urgent documents and goods reliably and on time from door to door. International time-definite shipments are our core business. The division's main product is Time Definite International (TDI). Our TDI services enable delivery at predefined times, and our expertise in customs clearance keeps shipments moving as a prerequisite in ensuring fast and reliable door-to-door service. We also provide industry-specific services to round out our TDI product. For example, our Medical Express transport solution, which is tailored specifically to companies in the life sciences and healthcare sector, offers various types of thermal packaging for temperature-controlled, chilled and frozen contents.

### Our virtual airline

Our global air freight network is operated by multiple airlines, some of which are wholly owned by the Group. The combination of our own and purchased capacities allows us to respond flexibly to fluctuating demand. The following graphic illustrates how our available freight capacity is organised and offered on the market. Most of the freight capacity is used for TDI, our main product. If any cargo space remains on our own flights, we sell it to customers in the air freight sector. The largest buyer of remaining capacity is the DHL Global Forwarding business unit.

### Available capacity




### Keeping our customer service promise

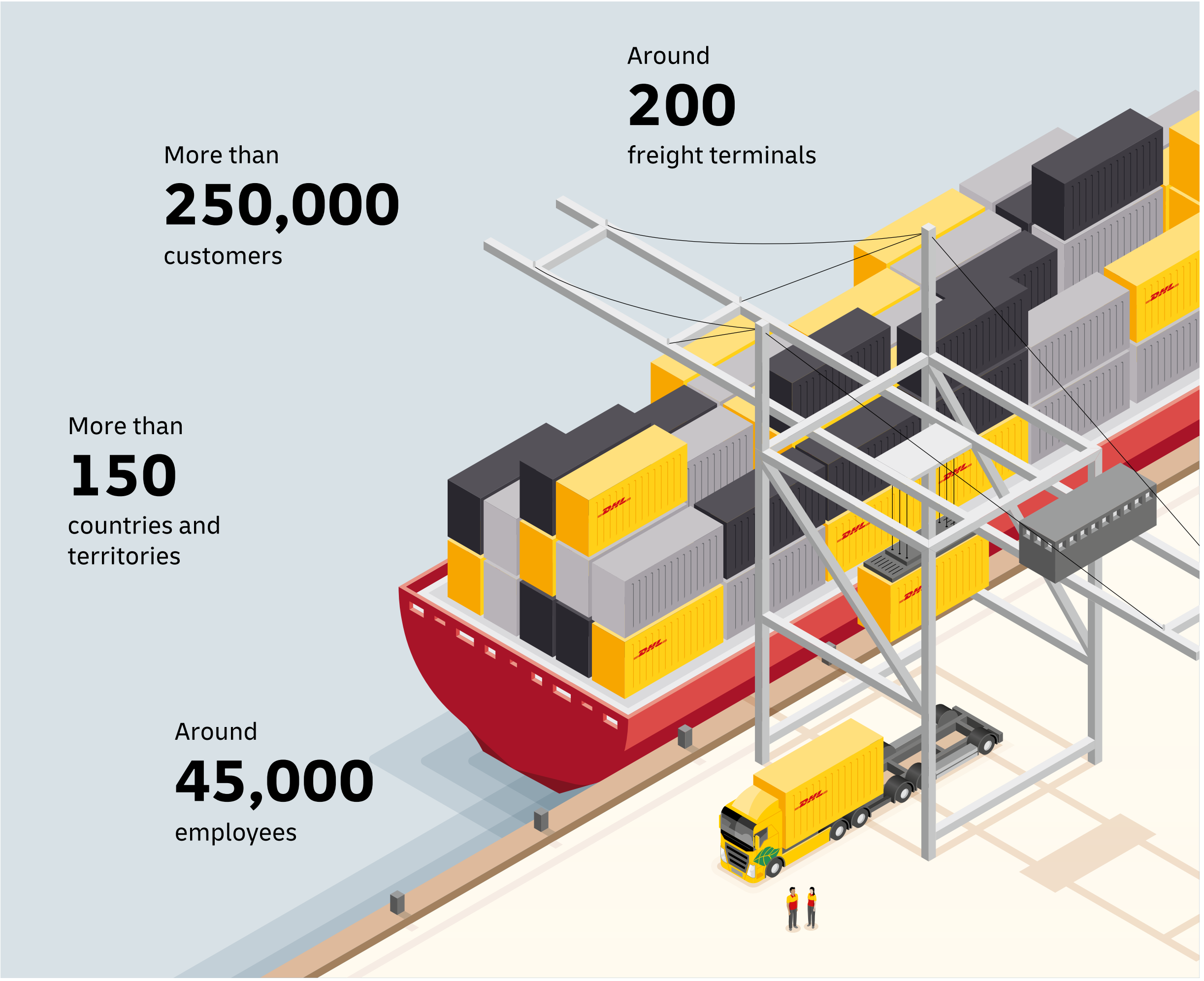
In order to keep our commitments to our customers as a global network operator, we monitor their ever-changing requirements, for example through our Insanely Customer Centric Culture programme and with Net Promoter Scores.

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

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

## GLOBAL FORWARDING, FREIGHT DIVISION

### Air, ocean and overland freight




**Air, ocean and overland freight forwarding services**

Air, ocean and overland freight forwarding services are our core business. They include standardised transports as well as multimodal and sector-specific solutions, together with customised industrial projects and customs services. Our business model is based upon brokering transport services between customers and freight carriers. The global reach of our network allows us to offer efficient routing and multimodal transport options. Compared with the Group's other divisions, our operational business model is asset-light.

**Air freight achieved volume growth despite uncertain market conditions**

Despite the pandemic in 2021, we achieved noticeable volume growth with around 2.1 million tonnes (previous year: around 1.7 million tonnes) of export air freight transported.

**Ocean freight market also reports higher volumes**

With around 3.1 million 20-foot container units (previous year: around 2.9 million) transported, we managed to increase the ocean freight volume under the difficult circumstances of 2021.

**Air and ocean freight market 2021: relevant volumes**

| | Asia Pacific | Americas | Middle East / Africa | Europe | Other | Global |
|---|---|---|---|---|---|---|
| Air freight (m tonnes)[1] | 11.6 | 5.5 | 1.1 | 6.0 | 0.9 | **25.1** |
| Ocean freight (m TEUs)[2] | 39.3 | 9.1 | 5.3 | 8.4 | 1.1 | **63.2** |

[1] Data based solely on export freight tonnes. Source: estimate by Seabury Consulting. [2] Twenty-foot container units; estimated part of overall market controlled by forwarders. Data based solely on export volumes. Source: company estimates, Seabury Consulting.

**After considerable downturn, European road transport market once again registers strong growth**

Following a difficult 2020, the European road transport market once again registered strong growth in the reporting year. At the same time, a series of challenges arose; amongst those, an imbalance between supply and demand resulted in capacity constraints. However, supported primarily by strong growth in demand, DHL strengthened its position within the very fragmented European road transport market.

**Satisfied customers and automated processes**

We aim to design our services to be as user-friendly as possible. To do so, we systematically record customer feedback by calculating Net Promoter Scores and conducting annual satisfaction surveys. Based upon the information received, we define initiatives and actions aimed at steadily improving our products and services.

Another key enabler to improve the customer experience is our digitalisation roadmap. The global Transport Management System, whose introduction we concluded in the Global Forwarding business unit during the year under review, was the foundation for further scaling of global applications as well as automated and standardised processes.

We made every effort to push forward with the implementation of our standardised Transport Management System in the Freight business unit as well. Meanwhile, we are continually registering new user groups in our myDHLi portal, which is now available in 14 languages. We are also reaching new segments through sales channels such as Saloodo! – our digital marketplace for road freight – and our online freight portal for customers in Sweden.

## SUPPLY CHAIN DIVISION

**Solutions that reduce customer supply chain complexity**


[1] Includes owned and leased warehouses only and not customer owned facilities operated by DHL.

### Tailor-made supply chain solutions

Our core business comprises tailor-made logistics services and supply chain solutions in order to reduce the complexity for our customers and to add value. We offer a broad product portfolio including warehouse operations and transport as well as value-added services such as eFulfillment and returns management, Lead Logistics Partner (LLP), Real Estate Solutions, Service Logistics and packaging solutions for strategic industry sectors. We offer modular solutions that allow our customers' operations to be more agile and more flexible to respond to changed supply chain needs.

### Standardisation and use of innovative technologies

We are constantly striving to increase speed and agility along the entire supply chain through modular standardisation and the use of new technologies. State-of-the-art digital solutions are already used at more than 80% of our locations, for example with some 2,000 collaborative robots and some 25,000 smart wearables deployed. In addition, we leverage data analytics to drive operational efficiencies and to enhance the customer experience. We are integrating physical and digital supply chain solutions.

### Leading position in contract logistics

The global contract logistics market is estimated at around €215.4 billion for the year 2020. DHL is the global market leader in the fragmented market of contract logistics with a market share of 5.8% (2020) and operations in more than 50 countries. The market share of the second-leading provider is only half as large.

### Meeting or exceeding quality expectations

We continuously build upon our position as a quality leader in contract logistics. With the globally consistent operating standards of our “Operations Management System First Choice”, we ensure that we either meet or exceed our customers’ quality expectations and continuously improve.

Thanks to our systematic follow-up on customer feedback, our satisfaction values (Net Promoter Approach) remain on a consistent high level.

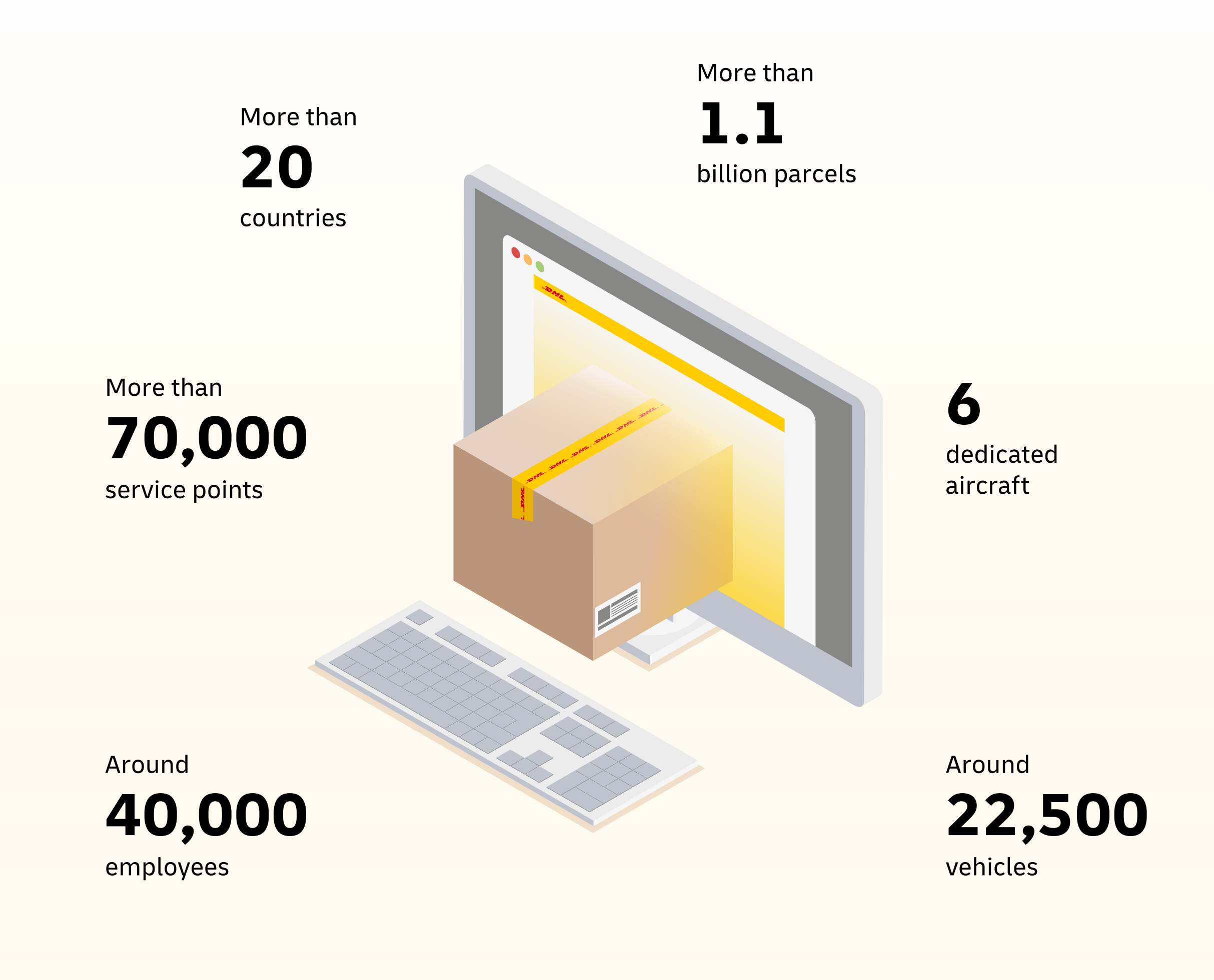
**Contract logistics market 2020[1]**

| € billion | Asia Pacific | Americas | Middle East/Africa | Europe | Global |
|---|---|---|---|---|---|
| Contract logistics | 75.9 | 63.4 | 7.8 | 68.3 | **215.4** |

[1] Company estimate.

## ECOMMERCE SOLUTIONS DIVISION

**Domestic last-mile parcel delivery and non-TDI cross-border services**




**Domestic and international non-time-definite parcel delivery**

Our core business is domestic last-mile parcel delivery in selected countries in Europe, in Asian emerging markets, in the United States and in India and non-TDI cross-border services primarily to, from and within Europe, as well as to, from and within the United States.

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

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

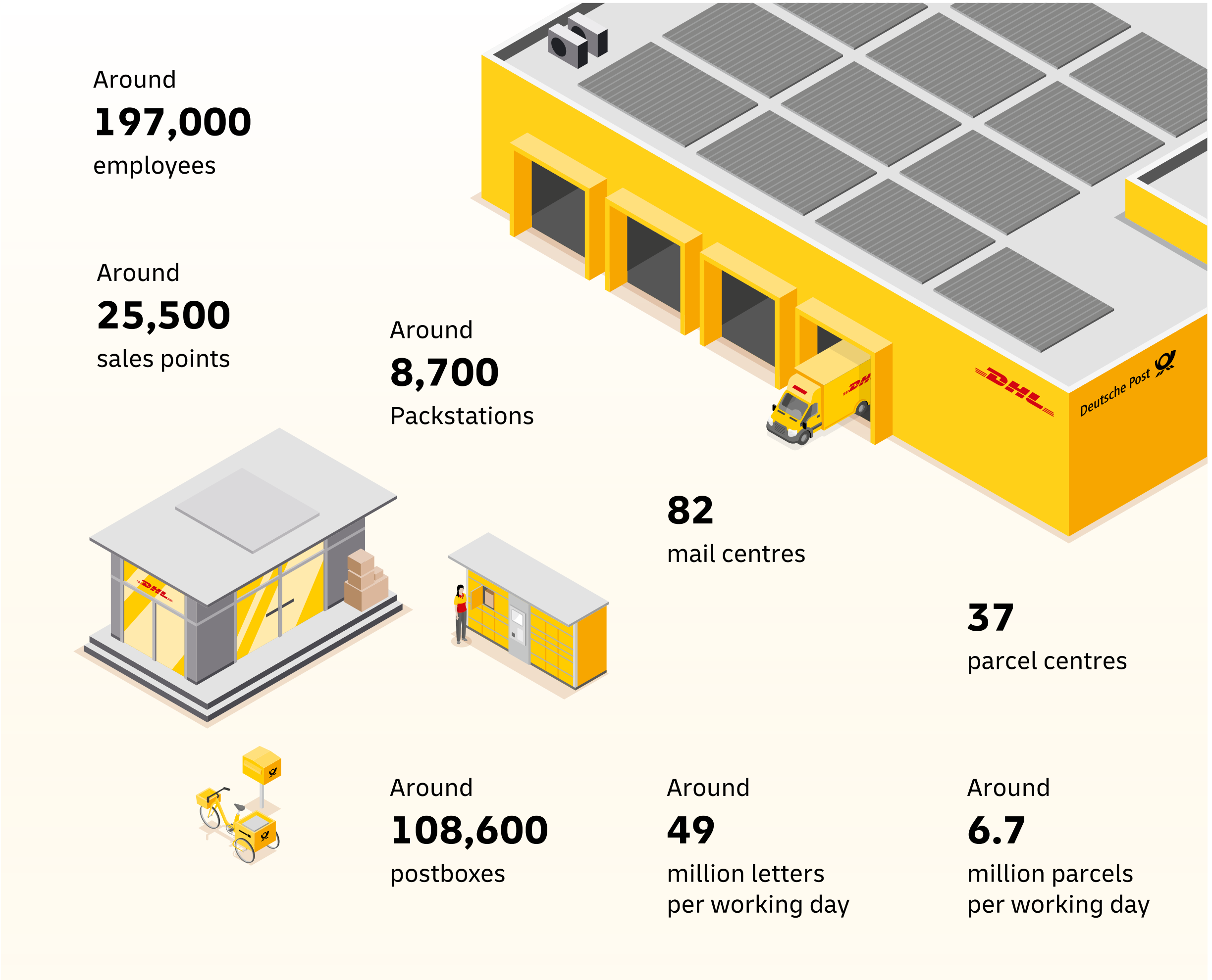
**Satisfied customers and high level of delivery reliability**

We focus on delivering industry-leading performance as well as quality and service excellence. Even against the background of the pandemic, operational challenges and volume increases, we succeeded in achieving an overall global delivery quality of 95% (previous year: 94%).

Implementation of the Net Promoter Approach is also being prepared for the eCommerce division.

## POST & PARCEL GERMANY DIVISION

**Nationwide post and parcel network in Germany**




### The postal service for Germany

As Europe's largest postal company, our core business is the transport, sorting and delivery of documents and goods. We maintain a nationwide post and parcel network in Germany as depicted in the graphic opposite, which we continually expand in consideration of digitalisation and sustainability.

Our products and services in the mail communication segment are targeted towards both private and business customers and range from physical and hybrid letters to special products for the delivery of goods, and include additional services such as registered mail, cash on delivery and insured items. We expanded our range in 2021 with digital products such as stamps with data matrix codes and the introduction of Poststations as an uninterrupted access point for a variety of postal services.

In the year under review, the German market for mail communication for business customers was worth around €4.2 billion (previous year: around €4.3 billion). The structural decline in mail volumes was offset somewhat by the high level of mail-in ballots in the German federal and state elections. We monitor the market in which we compete, including the companies that operate as service providers in this market – i.e. both competitors offering end-to-end services and consolidators providing partial services. Our market share declined slightly to 61.4% compared with the prior year (62.6%).

**German mail communication market business customers, 2021**

**Market volume: around €4.2 billion**

| | |
|---|---|
| Deutsche Post | 61.4% |
| Competition | 38.6% |

Source: company estimates.

**Cross-channel dialogue**

On request, our Dialogue Marketing unit offers end-to-end solutions to advertisers – from address services and tools for design and creation to printing, delivery and evaluation. This supports cross-channel, personalised and automated dialogue so that digital and physical items with interrelated content are delivered according to a co-ordinated timetable and without any coverage waste.

The advertising market in Germany grew by 5.9% in 2021 to come in at €28.1 billion after the largely pandemic-related decline in the previous year. Due to an expansion of market data, primarily relating to online activities, those reported here diverge from the presentation in the previous year. Our share of the highly fragmented advertising market declined slightly to 6.0% (previous year, adjusted: 6.4%).

**German advertising market[1], 2021**

**Market volume[2]: €28.1 billion**

| | |
|---|---|
| Competition | 94.0% |
| Deutsche Post | 6.0% |

[1] Includes all advertising media with external distribution costs; the placement costs are shown as ratios.
[2] Based on expanded market data, primarily relating to online activities.
Source: company estimates.

**DHL Parcel for companies and private individuals**

We maintain a dense network of parcel acceptance and drop-off points in Germany, which we expanded in the reporting year.

We offer support to businesses to grow their online retail business. Along with the Supply Chain division, we are able to cover the entire logistics chain through to returns management on request.

Various services enable individualised and convenient parcel delivery for private customers: parcels can be delivered to an alternative address, a specific retail outlet or a Paketshop at short notice. Furthermore, registered customers can now have all items sent automatically to a Packstation or selected retail outlet.

The German parcel market continues to be subject to competition-driven structural changes, with established as well as new companies are offering their services. In e-commerce, the delivery of a portion of shipments is handled by the merchant's own distribution networks.

We will increase the number of Packstations to 15,000 by 2023 to make it even more convenient for customers all over Germany to send and receive parcels and to create an environmentally friendly, traffic-reduced parcel delivery system.

**Fast and reliable delivery**

According to surveys conducted by Quotas, a quality research institute, around 88% of all domestic letters posted in Germany during daily opening hours at our retail outlets or before final collection were delivered the very next day in the year under review. Around 98% were delivered within two days. This puts us well above the legally required levels of 80% (D+1) and 95% (D+2).

In the parcel business, around 79% of items were delivered the next working day in the year under review. This reflects parcels collected from business customers that were delivered on the following day. These figures can be deemed very positive in light of the highly demanding operational situation caused by the pandemic and growing number of online orders.

Our approximately 25,500 sales points were open for an average of 55 hours per week in the year under review, as was the case in the previous year. Consumers who use the products and services offered by Deutsche Post retail outlets primarily operated mostly by retailers are surveyed annually regarding customer satisfaction by "Kundenmonitor Deutschland". This study attested to the high level of approval enjoyed by Deutsche Post retail outlets: a total of 94.5% of the persons surveyed were satisfied with quality and service (previous year: 94.6%). In addition, customers gave our sales points an average rating of 4.31 out of 5 stars in the Deutsche Post location finder (previous year: 4.39). The fixed-location acceptance and sales network has grown to around 34,000 sites (previous year: 32,000) thanks to the expansion of our Packstation network.

## Strategy

**Navigating safely through a volatile, fast-changing environment**

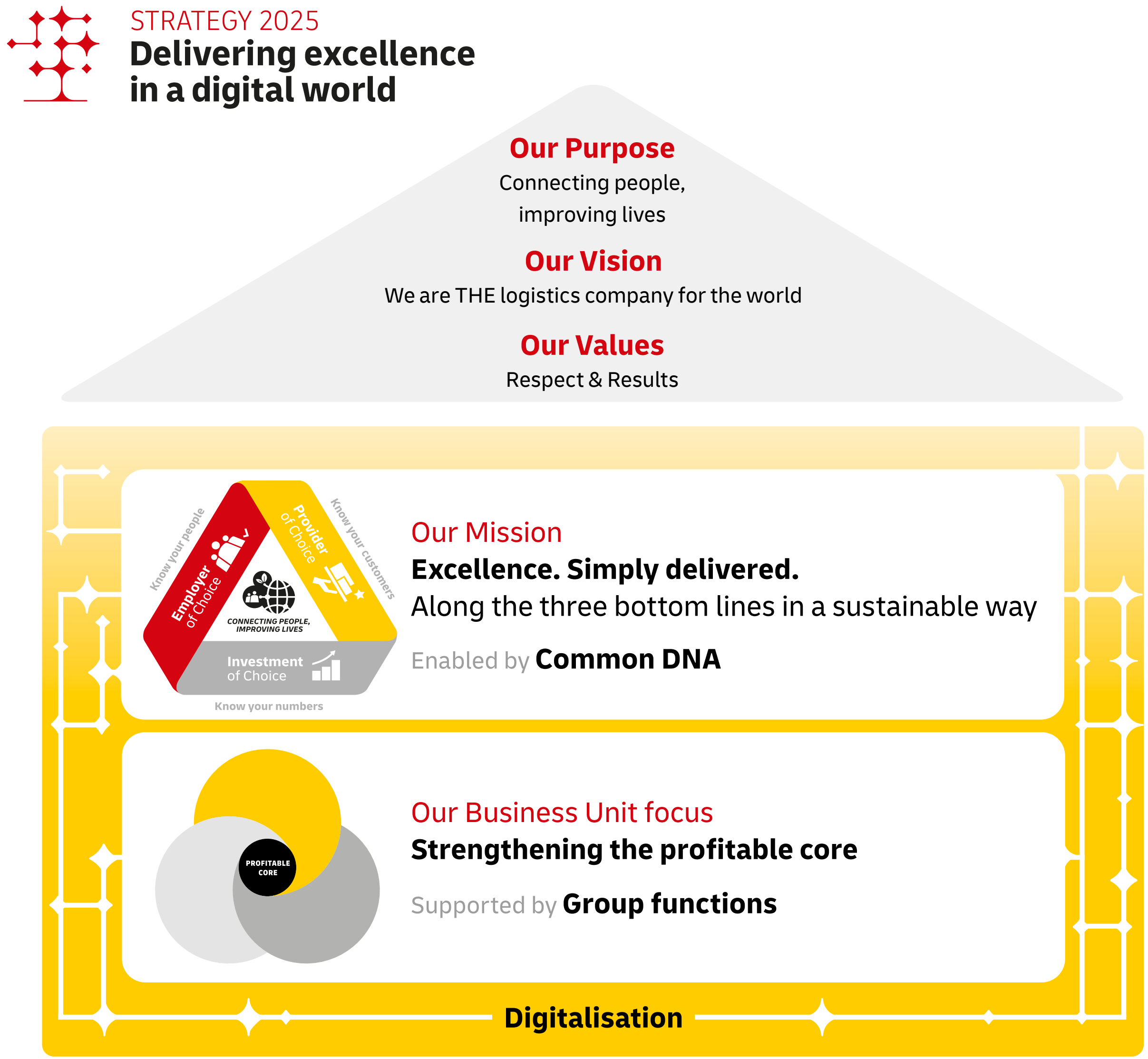
We announced Strategy 2025 in October 2019. It draws on the successful elements of Strategy 2015 and 2020, which established us as the world's leading logistics company. Building on this strong foundation, Strategy 2025 helps us to cement and grow that leading position as the pace of change in the world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

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

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

**Strategic triad of purpose, vision and values**

Our purpose of "Connecting people, improving lives" has never been more important than it is today. In keeping with our vision of being THE logistics company for the world, Deutsche Post DHL Group strives to continue leading the industry – and doing so in an increasingly digital and sustainability-oriented world. Our core values "Respect and Results" are just as much a part of our strategy today as they have been in the past.



The triad of purpose, vision and values underpins the three building blocks of Strategy 2025 – sustained execution excellence along the three bottom lines, becoming an employer, provider and investment of choice, a focus on our profitable core business and digital transformation. We have also cemented sustainability into every part of our business strategy through purpose and our own values. Respect and Results mean that we are committed to each other and together make a positive social contribution. Our purpose “Connecting people, improving lives” guides our efforts and sense of responsibility.

**Execution excellence along the three bottom lines**

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

At Deutsche Post DHL Group, when we speak of our common DNA we mean the set of behaviours, tools and programmes that we put into practice throughout the Group. Group-wide programmes such as Certified, First Choice and Safety First play an important part in building the common DNA by influencing what we do on a day-to-day basis. Irrespective of division, geographical region or function, our common DNA is an expression of who we are and how we do things at Deutsche Post DHL Group.

As an integral part of our strategy, sustainability is anchored along our three bottom lines. New policies and regulations across industries, increasingly changing buying habits and the growing focus on sustainable investments have motivated us to serve as a sustainability role model in our industry and to set ourselves ambitious targets. We therefore made sustainability a cornerstone of our Strategy 2025 and an essential element of our mission.

With our ESG roadmap, we build on our past achievements and plot a course for future success. The roadmap will serve as guidance in the three areas of environment, social responsibility and corporate governance. Clear objectives were set for each of these areas. We strive for environmentally friendly logistics and aim to be a great place to work for all and a trustworthy company and partner.

We set transparent, time-bound targets and KPIs that enable us to make sustainability an integral component in the yearly planning and strategic cycle, with targets integrated into our decision-making process. One key target is to increase the pace of our company’s planned decarbonisation, Non-financial statement.

**Divisions focus on profitable core business**

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

**Digital transformation as a key lever**

Representing a significant lever for sustainable business growth, digital transformation plays a crucial role in our strategy. We therefore invest in initiatives designed to improve the experiences our customers and employees have with the company and to increase operational efficiency. Our digitalisation framework has two elements. We are upgrading the IT infrastructure and utilising new technologies throughout the Group. At the same time, we are scaling business models that augment our core. From 2019 to 2025, our digital transformation spending is expected to reach around €2 billion and to contribute at least €1.5 billion annually to earnings by 2025.

In our divisions, we have several initiatives and programmes in place to upgrade the IT backbone, ensure our future agility and increase IT efficiency. In our Centres of Excellence, we have combined technologies and expertise, e.g. in the areas of automation and robotics, data science, API, blockchain and the Internet of Things. They are allowing us to foster and build up in-house know-how and scale digital solutions across the divisions.

## Research and development

As a service provider, Deutsche Post DHL Group does not engage in research and development activities in the narrower sense and therefore has no significant expenses to report in this connection.

## Steering metrics

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

Additional metrics that we will report beginning in 2022 are described and forecast in the Expected developments, opportunities and risks section.

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

EBIT after asset charge (EAC) is another key performance indicator used by the Group. EAC is calculated by subtracting the asset charge, a cost-of-capital component, from EBIT. Making the asset charge a part of business decisions encourages the efficient use of resources and ensures that our operational business is geared towards increasing value sustainably whilst improving cash flow.

The asset charge is calculated on the basis of the weighted average cost of capital, or WACC, which is defined as the weighted average net cost of interest-bearing liabilities and equity, taking into account company-specific risk factors in accordance with the Capital Asset Pricing Model.

A standard WACC of 8.5% is applied across the divisions. That figure also represents the minimum target for projects and investments within the Group. The WACC is generally reviewed once annually on the basis of the current situation on the financial markets. To ensure better comparability of the asset charge with previous figures, in 2021 the WACC used here was maintained at a constant level compared with the previous years.

The asset charge is calculated each month so that fluctuations in the net asset base can also be taken into account during the year. The Calculations graphic shows the composition of the Group's net asset base.

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

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

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

**Managing greenhouse gas emissions and improving efficiency**
We aim to reduce the greenhouse gas (GHG) emissions produced by us and our transportation subcontractors as well as our dependency on fossil fuels in order to mitigate our impact on the global climate, improve greenhouse gas efficiency and cut costs.

The Carbon Efficiency Index (CEX) was the key performance indicator we used to measure GHG efficiency in the reporting period. This metric is based on business-unit-specific emissions intensity figures that are indexed to the base year. The calculation methodology is based on recognised international standards such as the Greenhouse Gas Protocol, DIN EN 16258 and the Global Logistics Emissions Council Framework. The CEX reflects GHG emissions excluding those from the upstream chain (tank-to-wheel emissions), while we expanded GHG emissions reporting to include the upstream emissions arising from fuel production (well-to-wheel emissions) in the reporting period.

**Employee engagement as a factor for success**
Motivated and committed employees contribute to the success of the company. In the annual Group-wide survey, each employee has the opportunity to anonymously rate the company's strategy and values as well as its working conditions. We derive the Employee Engagement key performance indicator from these results.

## Calculations

Revenue

- \+ Other operating income
- ± Changes in inventories and work performed and capitalised
- − Materials expense
- − Staff costs
- − Depreciation, amortisation and impairment losses
- − Other operating expenses
- ± Net income/loss from investments accounted for using the equity method

= **EBIT**
**Profit from operating activities**

EBIT

- − Asset charge
  - = Net asset base
  - × Weighted average cost of capital (WACC)

= **EAC**
**EBIT after asset charge**

Operating assets

- Intangible assets
- Property, plant and equipment
- Goodwill
- Trade receivables (included in net working capital)[1]
- Other non-current operating assets[2]

− Operating liabilities

- Operating provisions (excluding provisions for pensions and similar obligations)
- Trade payables (included in net working capital)[1]
- Other non-current operating liabilities[2]

= **Net asset base**

EBIT

- \+ Depreciation, amortisation and impairment losses
- ± Net income/loss from disposal of non-current assets
- ± Non-cash income and expense
- ± Change in provisions
- ± Change in other non-current assets and liabilities
- \+ Dividends received
- ± Income taxes paid
- = **Operating cash flow before changes in working capital (net working capital)**
- ± Change in net working capital
- = **Net cash from/used in operating activities (operating cash flow, OCF)**
- ± Cash inflow/outflow arising from change in property, plant and equipment and intangible assets
- ± Cash inflow/outflow arising from acquisitions/divestitures
- − Cash outflow arising from repayments and interest on lease liabilities
- ± Net interest paid

= **FCF**
**Free cash flow**

[1] Includes EBIT-related current assets and liabilities. Not included are assets and liabilities related to taxes, financing and cash and cash equivalents, for example.
[2] Includes EBIT-related other non-current assets and liabilities. Not included are assets and liabilities related to taxes or bonds, for example.