Deutsche Post Finance B.V.

Annual Report 2020

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1. Management Report

1.1 Introduction

This report includes the 2020 Financial Statements of Deutsche Post Finance B.V. ("the Company"). The Company is part of Deutsche Post DHL Group ("the Group").

1.2 Incorporation

The Company is a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) and was incorporated in The Netherlands, Rotterdam on 13 April, 1999. It is governed by the laws of The Netherlands. The Company is now listed in the Commercial Register of the Dutch Chamber of Commerce under number 24292643. Its official seat is in Maastricht, The Netherlands, its business address is Pierre de Coubertinweg 7N, 6225 XT Maastricht, The Netherlands, telephone number +31 (43) 3564000.
The Company is a privately held company and is not subject to public corporate governance standards. The Company is not required to have an audit committee under the laws of The Netherlands due to an exemption under article 3 of the Decree implementing (i) Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and (ii) Regulation (EU) 537/2014 on specific requirements regarding statutory audits of public-interest entities and amending the Decree implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (Besluit instelling auditcommissie). It does not have an audit committee.

The Legal Entity Identifier (LEI) of the Company is 52990063W8KQHQMF4M43.

1.3 Organizational Structure

The Company is owned 100% by Deutsche Post International B.V. Deutsche Post International B.V. has its official seat in Amsterdam and its business address at Pierre de Coubertinweg 7N, 6225 XT Maastricht, The Netherlands. The Company is owned 100% by Deutsche Post Beteiligungen Holding GmbH, which is, in turn 100% owned by Deutsche Post AG in Bonn, Germany. The Company has no subsidiaries, joint ventures or associates.

1.4 Share Capital

As of 31 December 2020, the authorized share capital of the Company amounted to EUR 90.000 and consists of 180 ordinary shares each of EUR 500. The issued share capital amounts to EUR 18.500 and consists of 37 ordinary shares with a nominal value of EUR 500 each, which are fully paid.

1.5 Business overview, Purpose and Objects

The Company engages in several activities in the field of finance. The Company serves as a vehicle for the financing activities of Deutsche Post DHL Group including the issuance of bonds. The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL Group companies. According to article 2 of the articles of association the objects of Deutsche Post Finance B.V. are:

1. a. to issue, purchase and sell bonds, debt instruments, shares, profit sharing certificates, options and other securities of any form or, to otherwise enter into loan transactions as debtor, including, the borrowing and lending of moneys of and to general partnership or a limited partnership of which the Company is a general partner;

   b. to provide credit, to lend moneys and to guarantee loans or to otherwise provide security for obligations to pay;

   c. apart from the above to perform financial transactions of whatsoever nature;

   d. to participate in, to perform managing activities for and to supervise other companies or businesses;

   e. to acquire, transfer, to perform custody services and operation of assets of whatsoever nature.

2. To perform other activities that in any way can be considered to be in line with the activities mentioned above, are a result of those activities or are in any way instrumental to those activities.

1.6 Management Board

The Management Board currently consists of two members:
Mr. Roland W. Buss
Mr. Timo L.F. van Druten.

1.7 Main business developments

In 2020, the COVID-19 pandemic led to a collapse of the global economy even more dramatic than the one following the financial crisis of 2009. The first wave of the pandemic peaked in spring. The second wave, which hit in autumn, was much worse in many countries and is still ongoing. Average annual gross domestic product fell approximately by 5,0% in the industrial countries, and even the high-growth emerging markets saw a decline of around 2,0% on average for the year. Global economic output, which had been rising by an average of 3,1% per year for the past decade, fell by 3,9% in 2020.

The decline in economic output was even greater in the eurozone, where gross domestic product plummeted from +1,3% in 2019 to -7,1% in the reporting period. The decline is directly linked to drastic social distancing restrictions that included widespread closures of shops and prohibited services and lockdowns lasting for weeks in some cases. These restrictions were only sustainable thanks to massive government public relief programmes, including subsidies for short-time work.

The European Central Bank continued to pursue an extremely expansionary monetary policy in 2020. The ECB announced that it will be conducting additional net asset purchases as part of its Pandemic Emergency Purchase Programme until March 2022 and will extend the Asset Purchase Programme by EUR 20 billion per month, likely until shortly before the key interest rate increases again. As such it is highly probable that the key interest rate will remain at 0,00% for several more years. The Euro nonetheless gained ground in 2020. Especially its recovery against the USD was due, amongst other things, to the US Federal Reserve´s change in strategy announced in August, whereby inflation rates of above 2% will be tolerated as long as compensatory measures are taken whenever inflation undershoots the target for a time. This strategy lowers interest rate risk and thus potential support for the USD.

A tentative rebound in yields on ten-year German government bonds at the end of 2019 was wiped out by the pandemic and the dramatic drop in ten-year US treasuries from 2,14% in 2019 to 0,89% in 2020. However, the renewed dip in ten-year German yields to 0,50% went hand in hand with lower risk premiums in eurozone bond markets.

In the reporting period, the Company did not perform any activities on the capital markets.

As the Company did not perform any activities on the capital markets in 2020, its balance sheet total being EUR 543.781.772 as per 31 December 2020 nearly stayed constant in comparison to year end 2019 with a total of EUR 550.932.822.

The Company's revenue for 2020 amounts to EUR 6.095.724 and the result after taxation for 2020 amounts to a profit of EUR 493.801. Excluding the net gain from hedge ineffectiveness, totaling EUR 135.481 and the movement for expected credit losses under IFRS 9 of EUR 50.192, the 2020 minimum margin result amounts to a profit of EUR 308.128 [EUR 429.494 in 2019] and is in line with the management's expectations.

The Company, being a funding vehicle for the Group, raises finance and on-lends monies to companies within the Group by way of intra-group loans. Typically, the terms of such intra-group loans match the payment obligations of the Company under the bonds issued by it to fund such loans. In the event that a company fails to make a payment under an intra-group loan, the Company may not be able to meet its payment obligations under bonds issued by it and its creditors would have to rely on guarantees issued by Deutsche Post AG.
Hence payment of principal of and interest on bonds issued by the Company ultimately depend on Deutsche Post AG. This means that risks in respect of the Company substantially correspond with those in respect of the Group. Reference here is made to the Group´s Annual Report 2020.

Moreover, due to the nature of its business, the Company might be adversely affected by changes in interest rates or foreign exchange rates. Interest risks as well as currency risks are hedged according to the guidelines of the Group by the Group's Central Treasury. Instruments and policies used for hedging are described in the notes to the Financial Statements. The Company's attitude towards risk is an adverse one. Hence, hedges are put in place in order to avoid interest and currency risks.

The cash and liquidity of the Group´s globally operating subsidiaries is managed centrally on headquarters level. A major part of the Group´s external revenue is consolidated in cash pools and used to balance internal liquidity needs. The Group´s intra-group revenue is also pooled and managed in an In-House-Bank-System provided by Deutsche Post AG. As the Company is linked to this Bank-System, liquidity is provided by Deutsche Post AG.

1.8. Management Board policy with respect to risks

The activities of the Company result in financial risks such as interest rate risk, liquidity risk and credit risk.

The interest rates and the maturity dates of the Company´s funding match with the interest rates and maturity dates of the loans provided by the Company. Hence the Company does not face an interest rate risk.

As the Group ensures a sufficient supply of cash for Group companies participating in the cash pool, the Company, being part of the cash pool, faces no liquidity risk. As per end of December 2020 the Company had cash pool receivables of EUR 18.533.787.

The equity at year end 2020 is EUR 19.947.313 [EUR 19.453.512 in 2019] with a solvency ratio (equity / total assets) of 3,7% [3,5% for 2019]. The liquidity ratio (current assets / current liabilities) is 2,4 [2,3 for 2019].

The Management Board of the Company monitors the credit risk on a regular basis by analyzing the default risk of every borrower. Loans provided to Dutch borrowers are backed by a 403-verklaring, i.e. secured by Deutsche Post AG. If due to the analysis of the default risk of its borrowers, the Company would need support, the Management of the Company would ask Deutsche Post AG for this.

The bond issued by the Company is guaranteed by Deutsche Post AG, hence from an investor´s point of view the risk of Deutsche Post AG is the relevant risk.

For further details of the financial risk management of the Company, it is referred to note (16) of the notes to these financial statements and to the Annual Report 2020 of the Group.

1.9 Future business developments

The second wave of COVID-19 infections in the winter of 2020/21 proved to be more serious than had been either predicted or hoped. Governments worldwide are not likely to start easing restrictions significantly until the spring, assuming incidences show a significant and lasting decrease. Because the declines in GDP growth recorded at the year-end substantially pushed down average figures for 2020, GDP for 2021 is likely to remain relatively low in both the eurozone and the USA. However, average growth figures for 2022 are projected to receive a boost from the upward momentum expected to set in with recovery. European exports were already benefitting from strong growth in China and other Asian countries at the start of 2021. The anticipated relaxation of social distancing restrictions as more people are vaccinated is expected to help the service industry recover, additionally spurred on by a consumer spending backlog. At that point, capital expenditure is also expected to see a sharp uptick. At the same time, however, business that had been kept afloat during the pandemic will likely be letting workers go as they increasingly face insolvency.

As the Company is one of the most important financing vehicles of the Group, the financial position, especially the liquidity situation and the planned capital expenditures of the Group, very much affects the business development of the Company.

The Group anticipates a reduction in its cash position in the first half of 2021 as a result of the dividend payment for the financial year 2020 scheduled for May 2021, repayment of a bond issued by DPAG and the annual pension-related prepayment due to the Bundesanstalt für Post und Telekommunikation (German federal post and telecommunications agency). The Group´s operating liquidity situation is expected to improve again towards the end of 2021, due to the customary upturn in business in the second half of the year. In 2021, the Group plans to increase capital expenditure (excluding leases) to around EUR 3,4 billion in support of its strategic objectives and further growth.

Key control parameters for liquidity management of the Group are the centrally available liquidity reserves. As at the reporting date, the Group had cash and cash equivalents in the amount of EUR 4,5 billion (previous year: EUR 2,9 billion) at its disposal. The Group also has a syndicated credit facility in a total volume of EUR 2 billion serving as a long-term liquidity reserve at favorable market conditions and currently runs until 2025. Moreover, the Group - via its Debt Issuance Programme - enjoys open access to the capital markets on account of its good ratings within the transport and logistics sector and is well positioned to secure long-term capital requirements.

In summary the Group´s liquidity remains solid and a change in the Group´s credit rating is not expected.

As the Group in financial year 2020, having been an extraordinary challenging year, has proven its ability to master the challenges of the pandemic, looking ahead, our current expectation is, that the Company, also in 2021, will most likely not be affected adversely by the pandemic. The liquidity of the Company, being EUR 18.533.787 per 31.12.2020, is likely more than sufficient to cover the current yearly interest outflow. The ultimate shareholder of the Company, Deutsche Post AG, also being the guarantor of the bonds issued by the Company, maintains the solid financial position and financial flexibility described above, thus providing sufficient headroom to fulfil any obligations from the guarantee provided to the bondholders of the Company.

For further detailed information on the Group's expected financial position in 2021 reference is made to the Deutsche Post DHL Group Annual Report 2020.

The management of the Company is not aware of any plans to raise funds from the capital markets in 2021. Deutsche Post AG together with the Company intends to update its Debt Issuance Programme in the first half of 2021. Deutsche Post Finance B.V. will persist as Group finance company and any possible future proceeds of debt issues will be lent within the Group.

1.10 Diversity

In the context of article 2:391 paragraph 7 DCC we declare that during issuance of the Financial Statements, the Company does not comply with the requirement that at least 30% of the seats in the management board have to be held by the female gender. This is not a deliberate choice, but a consequence of the fact that only limited changes have been taken place in the management board.

1.11 Responsibility Statement

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

Maastricht, 29 March 2021

The Management Board:

Roland Buss (DPDHL DE) Digital unterschrieben von Roland Buss (DPDHL DE) Datum: 2021.03.29 11:59:56 +02'00'	Timo van Druten (DPDHL NL) Digitally signed by Timo van Druten (DPDHL NL) Date: 2021.03.29 11:52:01 +02'00'
....	....
Roland W. Buss	Timo L.F. van Druten

PricewaterhouseCoopers Accountants N.V. For identification purposes only

2. Financial Statements

Before profit appropriation

2.1 Balance sheet

Amounts in EUR	Note		At 31-12-2020		At 31-12-2019
Non-current assets					
Long-term loans receivable from affiliates	(17)	501.008.353		500.958.161	
Non-current derivatives	(18)	24.198.609		32.193.195	
			525.206.962		533.151.356
Current assets					
Short-term receivables from affiliates	(19)	41.023		64.735	
Cash pool receivables	(20)	18.533.787		17.716.731	
			18.574.810		17.781.466
			543.781.772		550.932.822
Shareholder's equity					
Share capital	(21)	18.500		18.500	
Capital reserve	(21)	2.000.000		2.000.000	
Result for the year		493.801		633.915	
Retained earnings		17.435.012		16.801.097	
			19.947.313		19.453.512
Long-term liabilities					
Bond long-term	(22)	516.002.732		523.668.429	
			516.002.732		523.668.429
Short-term liabilities					
Accrued interest	(23)	7.813.014		7.791.667	
Other current liabilities and accruals	(24)	18.713		19.214	
			7.831.727		7.810.881
			543.781.772		550.932.822

The notes are an integral part of the Company's Financial Statements.

2.2 Statement of comprehensive income

For the year ended 31 December 2020

Amounts in EUR	Note		2020		2019
Interest income	(25)	6.095.724		6.311.232	
Interest expenses	(26)	(5.655.843)		(5.776.100)	
Other gains and losses	(27)	185.673		204.421	
Other operating expenses	(28)	(131.753)		(105.638)	
Profit before taxes			493.801		633.915
Income tax expense	(29)	0		0	
Profit for the year			493.801		633.915
Total Comprehensive income			493.801		633.915

The profit for the year is attributable to the parent.

The notes are an integral part of the Company's Financial Statements.

2.3 Statement of changes in equity

For the year ended 31 December 2020

Movements in shareholder's equity during the financial year were as follows:

Amounts in EUR	**Total**	**Share capital**	**Capital reserve**	**Retained earnings**
At 1 January 2019	18.819.597	18.500	2.000.000	16.801.097
Movements 2019				
Net result 2019	633.915	0	0	633.915
Balance at 31 December 2019	19.453.512	18.500	2.000.000	17.435.012
Movements 2020				
Net result 2020	493.801	0	0	493.801
Balance at 31 December 2020	19.947.313	18.500	2.000.000	17.928.813

Notes to the Shareholder's Equity are included in note 21.

The notes are an integral part of the Company's Financial Statements.

2.4 Cash flow statement

For the year ended 31 December 2020

Amounts in EUR	Note	2020	2019
Cash inflow			
Repayment of loans	(17)	23.000.000	58.100.000
Interest inflow		20.869.435	21.067.859
Total cash inflow		**43.869.435**	**79.167.859**
Cash outflow			
New allocation of loans	(17)	(23.000.000)	(51.000.000)
Interest outflow		(19.920.125)	(20.042.653)
Other outflows (SLA, rating fee, etc.)		(132.254)	(100.188)
Total cash outflow		**(43.052.379)**	**(71.142.841)**
Net cash flow		**817.056**	**8.025.018**
Cash pool balance at 1 January		17.716.731	9.691.713
Cash pool balance at 31 December	(20)	**18.533.787**	**17.716.731**

All cash flows are considered to be operating cash flows. Reference is made to note 7.

The notes are an integral part of the Company's Financial Statements.

2.5 Notes to the Financial Statements

(1) General overview

Deutsche Post Finance B.V. (hereafter "the Company"), having its statutory seat in Maastricht, was incorporated in the Netherlands, Rotterdam on 13 April 1999 and is now listed in the Commercial Register of the Chamber of Commerce in Maastricht under number 24.29.26.43. The Company is owned 100% by Deutsche Post International B.V. in Maastricht, the Netherlands. The ultimate shareholder is Deutsche Post AG in Bonn, Germany. The Company's registered office is Pierre de Coubertinweg 7N, 6225 XT Maastricht, the Netherlands.

The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL Group companies. The Debt Issuance Programme is mentioned in Note 16.

Items included in the Financial Statements are measured using the currency of the primary environment in which Deutsche Post Finance B.V. operates ("the functional currency"). The Financial Statements are presented in Euro, which is the Company's presentation currency and functional currency.

The Company has no subsidiaries, joint ventures or associates. The Company itself is a part of the Group and the financial results of the Company are incorporated into the IFRS Consolidated Financial Statements of the Group.

The date of approval of these Financial Statements by the Management Board is 29 March 2021.

(2) Going concern

The financial statements have been prepared on a going concern basis. Over the year ending on 31 December 2020 the Company had a profit of EUR 493.801 and a positive net cash flow of EUR 817.056. The financial situation of the Company is healthy.

Deutsche Post Finance B.V. has a majority of assets in terms of Long-term loans receivable from Deutsche Post DHL Group companies. The Company's financial position is based on interest inflow and repayments of loans by these companies. The directly available cash pool receivables with EUR 18.533.787 as per 31 December 2020 are sufficient to cover the yearly interest outflow for the current year.

Based on the financial position of the Company, the current finance structure and the Company's ability to realize its assets and discharge its liabilities in the normal course of business, the financial statements have been prepared assuming a going concern. Bond repayments are not due until June 2022. The ultimate shareholder of the Company, Deutsche Post AG, also being the guarantor of the bonds issued by the Company, maintains a solid financial position. Cash, cash equivalents and an undrawn syndicated loan facility amounting to EUR 2 billion, provide sufficient headroom to Deutsche Post AG to fulfil any obligations from the guarantee provided to the bondholders.

(3) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also comply with the financial reporting requirements included in section 9 of Book 2 of the Dutch Civil Code. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of all derivative contracts.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in note 5.

The Company has decided to apply the principles of hedge accounting in accordance with IAS 39 from January 2018 until further notice.

(4) New developments in international accounting under IFRS

The following Standards, changes to Standards and Interpretations have been applied for the first time in these financial statements:

	Required to be applied for financial years beginning on or after	**Significance**
Amendments to IAS 1 and IAS 8 – Definition of materiality	1 January 2020	No changes
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform: Hedge accounting can continue to exist or be designated regardless of the expected replacement of various reference interest rates.*	1 January 2020	No changes
Changes to references to the framework in IFRS standards	1 January 2020	No changes
Amendments to IFRS 3 Business Combinations: Definition of a Business Operation	1 January 2020	Irrelevant

** The reform has no impact on the hedge accounting since it is based on the Euribor*

New accounting pronouncements adopted by the EU but only required to be applied in future periods (the Company did not early adopt these).
The following Standards, changes to Standards and Interpretations have already been endorsed by the European Union. However, they will only be required to be applied in the future.

	Required to be applied for financial years beginning on or after	**Significance**
Benchmark Interest Rate Reform (IBOR Reform) – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (August 27, 2020)	1 January 2021	No changes

	Required to be applied for financial years beginning on or after	**Significance**
Amendments to IFRS 16: COVID-19 Related Rental Concessions	1 January 2021	Irrelevant
Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 9	1 January 2023	Irrelevant

New accounting pronouncements not yet adopted by the EU.
The IASB and the IFRIC issued further Standards and Interpretations in financial year 2020 and in previous years whose application is not yet mandatory for financial year 2020. The application of these IFRS is dependent on their adoption by the EU.

	Required to be applied for financial years beginning on or after	**Significance**
Amendment to IAS 1 Presentation of Financial Statements: Consequences of an extension right on the classification of financial liabilities as current or non-current	1 January 2023	No changes
IFRS 17, Insurance Contracts including amendments to IFRS 17	1 January 2023	Irrelevant
Amendments to IFRS 3, reference to the Framework	1 January 2022	Irrelevant
Amendments to IAS 16, Revenue before intended use of an item of property, plant and equipment	1 January 2022	Irrelevant
Amendments to IAS 37, Onerous Contracts - Costs of Fulfilling Contracts	1 January 2022	Irrelevant
Annual Improvements to IFRSs (2018 - 2020 cycle)	1 January 2022	No changes

(5) Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans
Loans issued by the Company are revalued at each balance sheet date. The borrowers' creditworthiness is monitored on an ongoing basis. Information published by rating agencies on the capital market is used to assess the creditworthiness of debtors and to calculate a potential future loss. A short-cut method is used to determine the expected credit loss on low credit risk intercompany loans: It assumes that the default probability for the intercompany loans is that of the lowest investment grade category. The respective one-year global default rate as published by Standard & Poor's was 0,16% at the end of 2020 [2019: 0,17%].

(b) Fair value of the derivative
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques (level 2 of the IFRS 13 fair value hierarchy). These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.
With regard to the existing interest rate swap with Deutsche Post AG the fair value was calculated with a discounted cash flow method and the applicable market Euro swap rate at the end of 2020 was -0,52% [2019: -0,27%].
Changes in assumptions about these factors could affect reported fair value of financial instruments.

(6) Related party transactions

Deutsche Post Finance B.V. is involved in various related party transactions. For more details we refer to these Financial Statements.

(7) Cash flow statement

The statement of cash flows analyses changes in cash and cash equivalents during a period. According to IAS 7.18 the Company presents its cash flows on the basis of the direct method in the annual financial statements. The direct method presents the specific cash flows associated with items that affect cash flow. Major classes of gross cash receipts and gross cash payments on behalf of Deutsche Post Finance B.V. are disclosed.
The cash flows that are presented in this cash flow statement represent the receipts and payments made on behalf of Deutsche Post Finance B.V. resulting from the cash pool agreement between the Company and Deutsche Post AG. They are presented in the cash flow statement even though Deutsche Post Finance B.V. itself has no cash, but a cash pool balance with Deutsche Post AG. The cash pool balances are disclosed under "Cash pool receivables" in the balance sheet (note 20).

The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL Group companies. Therefore all activities, relating to interest received and paid are classified as operating activities. All transactions and balances of the Company within the in-house bank of the Group are classified as changes in working capital (changes in receivables and payables).
The Company has not paid any dividends during 2020 (this was also the case last year).

(8) Foreign currencies

Transactions in currencies other than Euro are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the income statement except when deferred in equity as qualifying cash flow hedges. At the balance sheet date the Company does not have any foreign currency transactions.

(9) Financial assets

Financial instruments are contractual obligations that give rise to a financial asset of one entity and a financial liability or equity instrument in another entity. These include both primary and derivative financial instruments. Primary financial instruments include in particular all receivables, financial liabilities, securities, loans and accrued interest.

Financial assets have been classified into the following measurement categories according to IFRS 9:

- Debt instruments measured at amortized cost,
- Financial assets at fair value through profit or loss (FVTPL)

The classification of debt instruments depends on the Company's business model for managing financial assets and contractual cash flows. The Company's management has assessed which business models apply to the held by them financial assets. Based on the defined business model and the contractual cash flow characteristics it has classified its financial instruments into the appropriate IFRS 9 categories. Debt instruments in the Company are generally recognized at amortized cost.
Interest income from these financial assets is reported under financial income using the effective interest method.

The derivative is classified as "Financial assets at fair value through profit or loss (FVTPL)".

Category: Debt instruments measured at amortized cost
Financial instruments classified as debt instrument measured at amortized cost, are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. They are non-derivative financial assets with fixed or determinable payments that are assigned to the business model "Hold to collect". The instruments fulfil the SPPI Test (Solely Payments of Principal and Interest Test). Credit losses calculated using the general approach of IFRS 9 are charged to the income statement. They are considered to have a low credit risk. Debt instruments that are not listed on the capital markets are considered to have a low credit risk if the risk of non-performance is low and the debtor is able at all times (prospective estimate: will be able) to meet its contractual payment obligations in the short term.

Category: Financial assets at fair value through profit or loss
Derivatives have been classified as "Financial assets at fair value through profit or loss". Initial recognition and subsequent measurement are disclosed under note 13 "Derivative financial instruments and hedge accounting".

All financial assets are recognized on the balance sheet, when the Company becomes a party to the contract by using trade date accounting. They are included in the current assets except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Impairment
The Company has assessed the expected credit losses related to its debt instruments on a forward-looking basis. The applicable impairment method depends on whether there is a significant increase in credit risk. It is referred to note 5(a).

The fair values of the loans have been calculated by applying the discounted cash flow method. It is also referred to note 5(a).

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the assets have been settled.

(10) Cash pool receivables and payables

The Company participates in the cash pooling of the Group. The cash pool balances at the balance sheet date are shown as cash pool receivables or cash pool payables to related parties (and not shown as cash and cash equivalents).
Cash pool receivables are part of the financial instruments and classified as “Debt instruments measured at amortized cost” (note 9).

Fair values are considered to approximately match the carrying amounts of short-term receivables.

(11) Financial liabilities

Financial liabilities must be classified in “Financial liabilities at fair value through profit or loss” and in “Other liabilities”. Financial liabilities must be derecognized on the balance sheet, when the Company becomes a party to the contract at fair value on inception. They are included in the current liabilities except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities.

Derivative financial liabilities are classified as “Financial liabilities at fair value through profit or loss”. Initial recognition and subsequent measurement are disclosed under note 13 “Derivative financial instruments and hedge accounting”.

The remaining liabilities are classified as “Other liabilities”. They are subsequently carried at amortized cost by applying the effective interest method.

The fair value of the bond is derived from the published market price.

Financial liabilities under fair value hedge accounting are including an adjustment for the fair value of the risk being hedged.

Financial liabilities are derecognized when the obligation to settle the liabilities has expired or has been settled.

(12) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Currently, there are no assets or liabilities which are offset.

(13) *Derivative financial instruments and hedge accounting*

All derivative financial instruments are recognized at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the instrument is designated as a hedging instrument.

To avoid variations in the net profit resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible. This concerns the interest swap.

If hedge accounting is applied, the net profit or loss from both the derivative and the related hedged item are simultaneously recognized in income. Depending on the hedged item and the risk to be hedged, the Company uses fair value hedge accounting or cash flow hedge accounting. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges
For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative are also recognized in profit or loss. Accordingly, changes in the fair value of both the derivatives and the hedged item are simultaneously recognized in income or expense.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit and loss over the period to maturity.

As of 31 December 2020 no cash flow hedge was designated, there was only one fair value hedge (similar situation as in 2019).

(14) *Interest income and expense*

According to the IFRS 9 (general approach) the interest income and expense for financial assets in stage 1 and stage 2 are calculated on the gross carrying amount. For financial assets in stage 3, the Company will continue to recognize lifetime Expected Credit Loss (ECL), as in stage 2, but they will now recognize interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

(15) Principles for the determination of the result

Interest income and interest expense are accounted for during the period to which these belong. For interest expenses, the Company takes the transaction fees, if applicable, into account.

(16) Financial risk management

The principal activity of the Company consists of raising debt capital through bond issuances in order to lend those funds to Deutsche Post DHL Group companies. The capital managed by the Company is defined as the nominal amount of outstanding bonds issued by the Company, i.e. currently EUR 500 million. It is fixed until the existing bond needs to be redeemed or new bonds are being issued. In view of the Group's long-term capital requirements, the Group established a Debt Issuance Programme with a volume of up to EUR 8 billion. The Company is a possible issuer under the programme which offers the Company the possibility to issue bonds in customized tranches up to a stipulated total amount and enables it to react flexibly to changing market conditions. Deutsche Post AG together with the Company intends to update the programme in the first half of 2021.

The activities of the Company result in financial risks that may arise from changes in exchange rates and interest rates. Both risks are hedged according to the Group's guidelines by the Group's Central Treasury.

Internal guidelines govern the universe of actions, responsibilities and controls necessary for using derivatives. The Group uses suitable risk management software to record, assess and process hedging transactions. It is also used to regularly assess the effectiveness of the hedging relationships. The Group only enters into hedging transactions with prime-rated banks. Each bank is assigned a counterparty limit, the use of which is regularly monitored.

The Group's Board of Management receives regular internal information on the existing financial risks and the hedging instruments deployed to limit them.

The fair values of the derivatives used by the Company may be subject to substantial fluctuations depending on changes in exchange rates and interest rates. These fluctuations in fair value are not to be viewed in isolation from the underlying transactions that are hedged. Derivatives and hedged transactions form a unity with regard to their offsetting value development.

Interest rate risk and interest rate management
Interest rate risk arises from changes in market interest rates for financial assets and financial liabilities. To quantify the risk profile, according to the Group's guidelines, all interest-bearing receivables and liabilities are recorded, interest rate analyses are regularly prepared, and the potential effects on the net interest income are examined.
The Group uses interest rate derivatives, such as interest rate swaps, to reduce financing costs and optimally manage and limit interest rate risks by adjusting the ratio of fixed to variable interest agreements.

At 31 December 2020 a fixed rate bond with a total notional volume of EUR 500 million was outstanding, maturing in 2022.

The bond maturing in 2022 has been transformed into a floating rate liability with a fixed to float receiver interest rate swap. For this interest rate swap fair value hedge accounting is applied. The EUR 500 million have been used to finance floating rate EUR loans to Deutsche Post DHL Group companies maturing in 2022.

IFRS 7 requires a company to disclose a sensitivity analysis, showing how profit and loss and equity are affected by hypothetical changes in interest rates at the reporting date. For the sensitivity analysis concerning the impact on profit and loss all primary variable rate financial instruments and the floating rate leg of the interest rate swap has been taken into consideration.

If the market interest rates as at 31 December 2020 would have been 100 basis points higher, the net financial income would have increased by EUR 18.113 [2019: EUR 18.113]. A 100 basis points decrease leads to the opposite effect (net financial income decreases by EUR 18.113).

The Company did not have any outstanding cash flow hedging transactions on its balance sheet at the end of 2020 and at the end of 2019, therefore it was not necessary to calculate the equity impact of a hypothetical change in interest rates.

Foreign exchange risk
The Company did not have any foreign currency transactions in its balance sheet at the end of 2020 and at the end of 2019.

Liquidity risk
The Group ensures a sufficient supply of cash for Group companies at all times via a largely centralized liquidity management system. The Company is one of the most important financing entities within the Group. Therefore the Company issued bonds which are fully guaranteed by Deutsche Post AG.

The following picture shows the maturity structure of primary financial liabilities:

Maturity structure – undiscounted cash flows non-derivative financial instruments

31-12-2020

EUR (million)	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years
Bonds *	(15)	(515)	0	0	0	0
Loans payable	0	0	0	0	0	0
	(15)	**(515)**	**0**	**0**	**0**	**0**

** interests are included*

31-12-2019						
EUR (million)	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years
Bonds *	(15)	(15)	(515)	0	0	0
Loans payable	0	0	0	0	0	0
	(15)	**(15)**	**(515)**	**0**	**0**	**0**

* *interests are included*

Derivative financial instruments entail both rights and obligations. The contractual agreement defines whether these rights and obligations can be offset against each other, thus leading to a net settlement, or whether both parties to the contract will have to fully fulfil their obligations (gross settlement). The maturity structure of payments under derivative financial instruments is as follows:

Maturity structure – undiscounted cash flows derivative financial instruments

31-12-2020						
EUR (million)	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years
Derivative assets						
Cash inflows	15	15	0	0	0	0
Cash outflows	(4)	(2)	0	0	0	0
Derivative liabilities						
Cash inflows	0	0	0	0	0	0
Cash outflows	0	0	0	0	0	0

31-12-2019

EUR (million)	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years
Derivative assets						
Cash inflows	15	15	15	0	0	0
Cash outflows	(5)	(5)	(3)	0	0	0
Derivative liabilities						
Cash inflows	0	0	0	0	0	0
Cash outflows	0	0	0	0	0	0

Credit risk
In accordance with the impairment model of IFRS 9 “Expected Credit Loss”, financial assets must generally be assessed for an expected credit loss. Expected credit loss (ECL) as defined by IFRS 9 is the probability-weighted estimate of credit losses over the expected life of a financial instrument. Default is the difference between the cash flows due to the Company under the contract and the cash flows expected by the Company. As the expected credit losses take into account the amount and timing of the payments, a credit loss arises even if the Company expects that it will be paid in full but later than the contractual due date.
The ECL is measured at the individual position level, in exceptional cases at the collective portfolio level (grouped exposures based on common credit risk characteristics). IFRS 9 provides a three-stage model, the “general approach”, to determine the credit loss.
According to the three-stage model, debt instruments measured at amortized cost are allocated to stage 1 at initial recognition. The expected loss corresponds to the value that can arise from possible default events within the next twelve months (12- month expected loss) after the balance sheet date. If there has been a significant increase in the counterparty credit risk since initial recognition, the financial asset is transferred from stage 1 to stage 2. Among other things, the default risk is significantly increased if the debtor no longer meets its payment obligations in the short term or if an actual or expected deterioration in the debtor’s business results becomes apparent. The default risk is then measured on the basis of the probability of default (PD) over the entire remaining term (lifetime PD). The impairment corresponds to the value that can arise from possible default events during the remaining term of the financial asset. A transfer from stage 1 to stage 2 must take place at the latest when the contractual payments are more than 30 days overdue. If there is objective evidence that a financial asset is impaired. It must be transferred to stage 3. Which is the case if the payments are more than 90 days past due, it is assumed that the debtor is experiencing significant financial difficulties and that there is objective evidence of a loan default.

In general, the Company only grants intra Group loans. The Company has made assessments of the credit risk of its counterparties on January 1, 2020 and December 31, 2020. Based on these assessments all borrowers have the strong capacity to meet their contractual cash flow obligations in the near term. Therefore all loans were classified as low credit risk loans and the credit loss allowance was limited to the ECL within twelve months after the balance sheet date (stage 1). Furthermore, the management has decided to use a short-cut to calculate the actual ECL, which assumes that the one-year default probability for the loans is that of the lowest investment grade category BBB as published by Standard & Poor's and that no amount would be recovered in the event of a default. The respective calculations resulted in amounts, which were considered to be immaterial by the management, in total EUR 802.937 [2019: EUR 853.129] as shown under note 17.

The cash pool balance receivable measured at amortized cost is subject to the credit risk of the head of the cash pool, which is Deutsche Post AG. The management assesses the default risk as low. Due to the materiality of the risk, no risk provisions were made.

In the financial year, the cash flows of the debt instruments were neither modified nor model changes made to derive risk parameters. As a result, the input parameters were not revalued. Loans and receivables measured at amortized cost were recognized at stage 1 at the balance sheet date. At the balance sheet date, there were no indications of significant deterioration of creditworthiness.

During the year there was no reclassification within the stages.

All derivative assets are concluded with Deutsche Post AG.

(17) Long-term loans receivable from affiliates

Movements during the financial year were as follows:

	2020	2019
	EUR	EUR
Opening balance at 1 January	500.958.161	508.040.682
New loans	23.000.000	51.000.000
Redemptions	(23.000.000)	(58.100.000)
Release of the ECL provision (adjustment at 31 December)	50.192	17.479
Balance at 31 December	501.008.353	500.958.161

Long-term loans receivable at year end amounted to the following balances:

	31-12-2020	31-12-2019
	EUR	EUR
Deutsche Post DHL Group related parties	501.811.290	501.811.290
IFRS 9 expected credit loss	(802.937)	(853.129)
	501.008.353	500.958.161

The maturity of the long-term loans receivable is as follows:

	31-12-2020	31-12-2019
	EUR	EUR
2022	501.008.353	500.958.161

Between June 2012 and December 2020 new loans for an amount totalling EUR 501.811.290 were granted to other Deutsche Post DHL Group related parties. All these loans mature in 2022.

None of the long-term loans receivable have matured or are past due.
None of the long-term loans receivable are impaired.

The nominal interest rates at the balance sheet date were as follows:

	31-12-2020	31-12-2019
EUR	0,98%	1,16%

The carrying amounts without expected credit loss and fair value of the long-term loans receivable at year end were:

Carrying amounts		Fair values	
31-12-2020	31-12-2019	31-12-2020	31-12-2019
EUR	EUR	EUR	EUR
501.811.290	501.811.290	512.482.308	518.207.331

The fair values are based on contractual cash flows discounted using a rate based on the applicable market rate at the end of 2020 of -0,52% [2019: -0,27%].

The carrying amounts without expected credit loss of the Company's long-term loans receivable at year end were denominated in the following currencies:

	31-12-2020	31-12-2019
	EUR	EUR
EUR	501.811.290	501.811.290

The Company has the following fixed rate/floating rate long-term loans (notional amounts):

	31-12-2020	**31-12-2019**
	EUR	EUR
Floating rate loans	501.811.290	501.811.290

(18) Non-current derivatives

The following table shows the fair value of the derivative applied by the Company:

	31-12-2020	**31-12-2019**
	EUR	EUR
Interest rate swap (positive value)	24.198.609	32.193.195

The fair value of the interest rate hedging instrument was calculated on the basis of discounted expected future cash flows, using a discounted cash flow model using observable market input.

	31-12-2020	**31-12-2019**
	EUR	EUR
Interest rate swap (notional amount)	500.000.000	500.000.000

Fair value hedge
An interest rate swap with a volume of EUR 500.000.000 was concluded in 2012 to hedge the fair value risk of the nominal amount of the fixed interest Euro-denominated bond maturing on 27 June 2022. The hedge ratio was 100% and the bond coupon of 2,95% was swapped into an average floating rate of 0,915% for 2020 [2019: 0,944%]. The positive fair value of this fixed to floating interest rate swap amounts to EUR 24.198.609 [2019: EUR 32.193.195].

(19) Short-term receivables from affiliates

Short-term receivables represent interest receivables.

	31-12-2020	**31-12-2019**
	EUR	EUR
Interest receivable from Deutsche Post DHL Group companies	41.023	64.735

(20) *Cash pool receivables*

Cash pool receivables represent cash pool balances of Deutsche Post Finance B.V. and are related to the cash pool agreement between the Company and Deutsche Post AG.

	31-12-2020	**31-12-2019**
	EUR	EUR
Cash pool receivables	18.533.787	17.716.731

(21) *Shareholder's equity*

Share capital
The authorized share capital of the Company as at 31 December 2020 amounts to EUR 90.000 and consists of 180 ordinary shares each of EUR 500. The issued share capital amounts to EUR 18.500 and consists of 37 ordinary shares with a nominal value of EUR 500 each, which is fully paid.

Capital reserve
On 23 May 2002 the shareholder paid a capital contribution amounting to EUR 2.925.697. On the same date the shareholder approved offsetting the negative retained earnings as at 31 December 2001, amounting to EUR 925.697, against the capital reserve.

Proposal for the appropriation of net result 2020

	2020
	EUR
Profit for the year	493.801

The Management Board proposes to transfer the profit for the year 2020 to the retained earnings.

(22) *Bond – long-term*

On 25 June, 2012 the Company issued a EUR 500.000.000, 2,95% bond of 2012/2022 with an issue price of 99,471% (Bond 2022). Bond 2022 is listed at the Luxembourg Stock Exchange.

The bond issued by the Company is fully guaranteed by Deutsche Post AG.
The below two tables show nominal amounts.

Bond	**31-12-2020**	**31-12-2019**
	EUR	EUR
Bond 2022	500.000.000	500.000.000

	31-12-2020	31-12-2019
	EUR	EUR
The maturity of the bond as reported at year end is:		
1 – 5 years, nominal value	500.000.000	500.000.000

The carrying amount of the amortized costs of the bond (before the fair value adjustments relating to hedging) is as follows:

Bond	31-12-2020	31-12-2019
	EUR	EUR
Bond 2022	499.213.569	498.708.815

The carrying amount of the bond (after fair value adjustment relating to hedging) is as follows:

Bond	31-12-2020	31-12-2019
	EUR	EUR
Bond 2022	516.002.732	523.668.429

The fair value of the bond is as follows:

Bond	31-12-2020	31-12-2019
	EUR	EUR
Bond 2022	524.610.000	537.900.000

The effective interest rates, taking into account the effect of the interest rate swap is as follows:

Bond	31-12-2020	31-12-2019
Bond 2022	0,8141%	0,9948%

(23) Accrued interest

	31-12-2020	**31-12-2019**
	EUR	EUR
Accrued interest payable to bondholders	7.556.850	7.536.203
Accrued charges for guarantee provision	256.164	255.464
	7.813.014	7.791.667

The guarantee provision relates to the guarantee issued by Deutsche Post AG (guarantor) in favour of the investors in the 2012/2022 bond issued by the Company (warrantee).

(24) Other current liabilities and accruals

The breakdown of accruals and deferred income is as follows:

	31-12-2020	**31-12-2019**
	EUR	EUR
Other accruals	18.713	19.214

All balances stated above fall due within 1 year.

(25) Interest income

The interest income arises from settled and unsettled balances with related parties, which the Company shows as receivables. The interest income from affiliated companies can be specified as follows:

	2020	**2019**
	EUR	EUR
Interest income on loans to Deutsche Post DHL Group companies in Europe	6.095.724	6.311.232
	6.095.724	6.311.232

(26) *Interest expenses*

Interest expenses due on bonds can be specified as follows:

	2020	2019
	EUR	EUR
Interest expenses (fixed) Bond 2022	(14.770.647)	(14.729.353)
Interest income from interest rate swaps related to Bond 2022	10.120.258	9.942.311
Amortization of the bond discount and issue costs and release of upfront compensation payment (deferred income)	(504.754)	(489.758)
Guarantee fees	(500.700)	(499.300)
	(5.655.843)	(5.776.100)

(27) *Other gains and losses*

	2020	2019
	EUR	EUR
Losses from fair valuation of interest rate swaps	(8.273.888)	(5.411.834)
Gains from hedge ineffectiveness	135.481	186.942
Credit result IFRS 9	50.192	17.479
Gains from valuation of bonds (interest related)	8.273.888	5.411.834
	185.673	204.421

(28) *Other operating expenses*

	2020	2019
	EUR	EUR
Legal, consulting and audit fees	(72.992)	(46.146)
Other administrative expenses	(58.761)	(59.492)
	(131.753)	(105.638)

For the independent auditor's fees refer to note 34.

(29) *Income tax expense*

The Company is part of the fiscal unity formed with Deutsche Post International B.V. and its affiliated companies in the Netherlands. Current and deferred income tax assets and liabilities of the Company have been included and recognized in the accounts of Deutsche Post International B.V. as head of the fiscal unity. Reference is made to note 33.

(30) *Additional disclosure on the financial instruments*

Deutsche Post Finance B.V. classifies financial instruments in relation to the respective balance sheet accounts. The following table reconciles the balance sheet accounts to the categories used by the Company.

Reconciliation of carrying amounts in the balance sheet as at 31 December 2020

31-12-2020

EUR	Carrying amount	Debt instruments measured at amortized cost	Financial assets at fair value through profit or loss
Assets			
Non-current assets	**525.206.962**	**501.008.353**	**24.198.609**
Long-term loans receivable			
At amortized cost	501.008.353	501.008.353	0
Non-current derivatives positive FV			
At fair value	24.198.609	0	24.198.609
Current assets	**18.574.810**	**18.574.810**	**0**
Short-term loans receivable			
At amortized cost	0	0	0
Short-term receivables from affiliated companies			
At amortized cost	41.023	41.023	0
Cash pool receivables			
At amortized cost	18.533.787	18.533.787	0
Total assets	**543.781.772**	**519.583.163**	**24.198.609**

31-12-2020

EUR	Carrying amount	Other liabilities at amortized cost
Liabilities		
Long-term liabilities	**(516.002.732)**	**(516.002.732)**
Bonds long-term		
At amortized cost	(516.002.732)	(516.002.732)
Non-current derivatives negative FV		
At fair value	0	0
Short-term liabilities	**(7.831.727)**	**(7.831.727)**
Bonds short-term		
At amortized cost	0	0
Accrued interest		
At amortized cost	(7.813.014)	(7.813.014)
Other current liabilities and accruals		
At amortized cost	(18.713)	(18.713)
Total liabilities	**(523.834.459)**	**(523.834.459)**

Reconciliation of carrying amounts in the balance sheet as at 31 December 2019

31-12-2019 EUR	Carrying amount	Debt instruments measured at amortized cost	Financial assets at fair value through profit or loss
Assets			
Non-current assets	**533.151.356**	**500.958.161**	**32.193.195**
Long-term loans receivable			
At amortized cost	500.958.161	500.958.161	0
Non-current derivatives positive FV			
At fair value	32.193.195	0	32.193.195
Current assets	**17.781.466**	**17.781.466**	**0**
Short-term loans receivable			
At amortized cost	0	0	0
Short-term receivables from affiliated companies			
At amortized cost	64.735	64.735	0
Cash pool receivables			
At amortized cost	17.716.731	17.716.731	0
Total assets	**550.932.822**	**518.739.627**	**32.193.195**

31-12-2019		
EUR	Carrying amount	Other liabilities
Liabilities		
Long-term liabilities	**(523.668.429)**	**(523.668.429)**
Bonds long-term		
At amortized cost	(523.668.429)	(523.668.429)
Non-current derivatives negative FV		
At fair value	0	0
Short-term liabilities	**(7.810.881)**	**(7.810.881)**
Bonds short-term		
At amortized cost	0	0
Accrued interest		
At amortized cost	(7.791.667)	(7.791.667)
Other current liabilities and accruals		
At amortized cost	(19.214)	(19.214)
Total liabilities	**(531.479.310)**	**(531.479.310)**

If there is an active market for a financial instrument (e.g., stock exchange), the fair value is determined by reference to the market or quoted exchange price at the balance sheet date. If no fair value is available in an active market, the quoted prices in an active market for similar instruments or recognized valuation techniques are used to determine the fair value. The valuation techniques used incorporate the key factors determining the fair value of the financial instruments using validation parameters that are derived from the market conditions as at the balance sheet date. Counterparty risk is analyzed on the basis of the current credit default swaps signed by the counterparties.
The following table presents the classes of financial instruments recognized at fair value and those financial instruments whose fair value is required to be disclosed; the financial instruments are presented by level in the fair value hierarchy to which they are assigned. The simplification option under IFRS 7.29a was exercised for short-term receivables from affiliated companies, cash pool receivables, other receivables, short-term loans payable, accrued interest and other current liabilities and accruals with predominantly short maturities. Their carrying amounts as at the reporting date are approximately equivalent to their fair values.

Financial assets and liabilities: 31-12- 2020

The financial assets and financial liabilities disclosed under this note are carried at amortized cost and the derivatives at fair value. The fair values of the financial assets were determined using the discounted cash flow method. Financial liabilities (debt instruments) are listed on the capital market.

EUR	Level 1	Level 2	Level 3	Total
Non-current assets	0	536.680.917	0	536.680.917
Total assets	**0**	**536.680.917**	**0**	**536.680.917**

EUR	Level 1	Level 2	Level 3	Total
Long-term liabilities	(524.610.000)	0	0	(524.610.000)
Total liabilities	**(524.610.000)**	**0**	**0**	**(524.610.000)**

Level 1: quoted market prices
Level 2: measurement using key inputs based on observable market data
Level 3: measurement using key inputs not based on observable market data

Financial assets and liabilities: 31-12- 2019

EUR	Level 1	Level 2	Level 3	Total
Non-current assets	0	550.400.526	0	550.400.526
Total assets	**0**	**550.400.526**	**0**	**550.400.526**

EUR	Level 1	Level 2	Level 3	Total
Long-term liabilities	(537.900.000)	0	0	(537.900.000)
Total liabilities	**(537.900.000)**	**0**	**0**	**(537.900.000)**

Level 1: quoted market prices
Level 2: measurement using key inputs based on observable market data
Level 3: measurement using key inputs not based on observable market data

Level 2 includes interest rate and currency derivatives. The fair values of these derivatives are measured on the basis of discounted expected future cash flows, taking into account forward rates for currencies and interest rates. For this purpose, price quotations observable on the market are imported from information platforms customary in the market into the treasury management system.
The price quotations reflect actual transactions involving similar instruments on an active market.

No financial instruments were transferred between levels in financial year 2020 and the previous year.

Financial assets and liabilities are set off on the basis of netting agreements (master netting agreements) only if an enforceable right of set-off exists and settlement on a net basis is intended as at the reporting date. If the right of set-off is not enforceable in a normal course of business and the master netting arrangements creates a conditional right of set-off that can only be enforced by taking legal action, the financial assets and liabilities must be recognized in the balance sheet at their gross amounts as at the reporting date. At the balance sheet date the Company did not net any financial assets and liabilities.
To hedge fair value risks, the Company enters into financial derivative transactions with Deutsche Post AG. There are no netting agreements for these contracts. Therefore all derivatives are recognized at their gross amount in the Financial Statements.

(31) Employees

The Company has no employees. Employees of the Deutsche Post International B.V. in Maastricht and the Treasury Center in Bonn perform the administrative activities.

(32) Directors' remuneration

The Management Board of the Company currently consists of two members:

- Mr. Roland W. Buss
- Mr. Timo L.F. van Druten.

The members of the Management Board do not receive any remuneration from the Company.

(33) Commitments and rights not included in the balance sheet

The Company is part of the fiscal unity headed by Deutsche Post International B.V. As a consequence, the Company is liable for all corporate income tax liabilities of the fiscal unity.

The tax position of the Company is accounted for and included in the consolidated tax position of the head of the fiscal unity, Deutsche Post International B.V. In line with Group policy the income tax expenses are not being charged to the Company, but remain with the head of the fiscal unity.

(34) Independent auditor's fees

The following fees for services rendered by the independent auditor of the Company's Financial Statements, PricewaterhouseCoopers Accountants N.V. are relating to the financial year 2020:

	2020	**2019**
	EUR	EUR
Audit of the Financial Statements	46.101	44.846
Other audit services	17.365	0
Tax services	0	0
Non-Audit services	0	0
	63.466	44.846

(35) *Post balance sheet events*

The Debt Issuance Programme will be updated in the first half of 2021.

Signatures:

Maastricht, 29 March 2021

The Management Board:

Roland Buss (DPDHL DE) Digital unterschrieben von Roland Buss (DPDHL DE) Datum: 2021.03.29 12:01:03 +02'00'	Timo van Druten (DPDHL NL) Digitally signed by Timo van Druten (DPDHL NL) Date: 2021.03.29 11:52:34 +02'00'
....	....
Roland W. Buss	Timo L.F. van Druten

pwc PricewaterhouseCoopers Accountants N.V. For identification purposes only

3. Other information

In respect of the appropriation of the net income, the following is stipulated in § 14 of the articles of association:

In the general meeting the shareholder shall decide, whether the profit achieved during the fiscal year will be completely or partly distributed, or whether it shall be transferred to the reserves.

1. Distributions can only be made if the equity exceeds the paid-in and called-up part of the capital plus legal reserves.

2. Dividends are distributed within one month after adoption of the annual Financial Statements. The general meeting can decide that the dividend is completely or partly distributed in another form than cash.

3. Either the general meeting or the management can – by taking into consideration the stipulations of § 2 – effect distributions from the profit and/or the reserves.

Independent auditor's report

To: the general meeting of Deutsche Post Finance B.V.

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of Deutsche Post Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Deutsche Post Finance B.V., Maastricht.

The financial statements comprise:

- the balance sheet as at 31 December 2020;
- the following statements for 2020: the statement of comprehensive income, statement of changes in equity and the cash flow statement; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

PricewaterhouseCoopers Accountants N.V., Boschdijktunnel 10, 5611 AG Eindhoven, P.O. Box 6365, 5600 HJ Eindhoven, the Netherlands
T: +31 (0) 88 792 00 40, F: +31 (0) 88 792 94 13, www.pwc.nl

Independence

We are independent of Deutsche Post Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

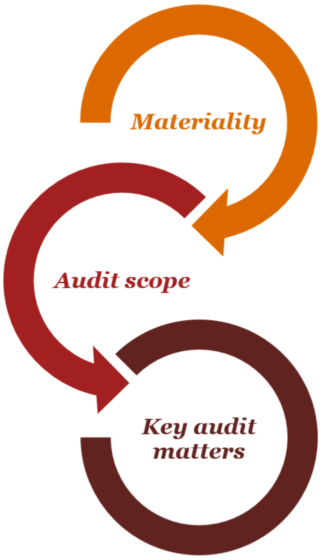
Deutsche Post Finance B.V.'s main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by Deutsche Post AG as disclosed in note 22 to the financial statements. The Company has financial instruments in place to mitigate interest rate risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 5 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation and existence of issued loans and derivative valuation, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified hedge accounting as key audit matter because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.

As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the areas of valuation and accounting in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: €5,000,000.

Audit scope

- We conducted our audit work for Deutsche Post Finance B.V. as a standalone Company.

Key audit matters

- Valuation and existence of the loans issued
- Derivative valuation
- Hedge accounting

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall materiality	€5,000,000 (2019: €5,000,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of total assets.
Rationale for benchmark applied	We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones. On this basis, we believe that total assets is an important metric for the financial performance of the Company.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the management board that we would report to them misstatements identified during our audit above €250,000 (2019: €250,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the management board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	***Our audit work and observations***
Valuation and existence of the loans issued *Notes 9 and 17* We consider the valuation and existence of the loans issued, as disclosed in notes 9 and 17 to the financial statements for a total amount of €501,008,353 to be a key audit matter. This is due to the size of the loan portfolio in combination with the fact that the management board's assessment of objective evidence of impairment is very important and judgemental. As a result, any impairment may have a material effect on the financial statements. The basis for determining any expected credit loss pursuing to IFRS 9 is the classification and measurement of financial instruments. The Company has performed an assessment to conclude whether the cash flows from financial instruments fulfil the requirements of the SPPI test (solely of payment of principal and interest). The management board has determined that all loans issued are categorised as stage 1 loans, hence only a 12-month expected credit loss ('ECL') has been recognised.	We performed the following procedures to test the existence of the loans issued to the Deutsche Post DHL group companies and to test the management board's assessment of the ECL to support the valuation of the loans: • We evaluated the financial situation of the Deutsche Post DHL group companies to which loans have been provided by analysed their respective current financial data (such as result and equity) and their ability to repay the notional and interest payments to the Company. • We analysed if there were any loss events at an individual loan level by challenging the valuation assessments prepared by the management board, which we did by analysing the financial situation of the group companies to which loans have been provided. • We compared our own estimates of the fair values of the loans issued with those made by management. • We performed intercompany reconciliation procedures with the counterparties of the loans. • For the ECL, we assessed that the impairment methodology and model applied by the Company were in accordance with the requirements of IFRS 9. • We recalculated the ECL and reconciled input parameters used to external sources. • We assessed that the model used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of Deutsche Post Finance B.V.

Key audit matter	*Our audit work and observations*
	• We verified that the required disclosures in the financial statements with respect to IFRS 9 are sufficient and in line with the applicable requirements. We found the management board's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.
Derivative valuation *Note 13 and 18* We consider the fair value of the derivative portfolio of €24,198,609 as disclosed in note 13 and 18 to the financial statements and used in the Company's hedge effectiveness testing to be a key audit matter. This is due to the nature of the portfolio that includes a longer-dated interest rate swap. The market for these swaps is not always fully liquid and therefore valuation is a complex area.	We performed the following procedures to support the valuation of derivatives: • We tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relationships by comparing our own estimates of the values of the derivative with those made by management for the derivative. • We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger. We found the management board's assumptions used in the valuation of the derivative to be reasonable compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above, we found no material differences.
Hedge accounting *Note 13* We consider the application of hedge accounting to be a key audit matter. Refer to note 13 to the financial statements. This is because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.	We performed the following procedures to assess the appropriateness of the application of hedge accounting: • We tested in full whether the hedge documentation and hedge effectiveness testing as prepared by the management board met the requirements of IAS 39 *Financial Instruments*, and whether the hedge effectiveness test was mathematically correct. • We reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements. Based on the procedures as set out above we found the application of hedge accounting to be appropriate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Deutsche Post Finance B.V. following the passing of a resolution by the shareholders at the annual meeting held on 21 April 2020. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 18 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 34 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for

- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Eindhoven, 29 March 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.J.M. Vercammen RA

Appendix to our auditor's report on the financial statements 2020 of Deutsche Post Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the management board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the management board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.