# Deutsche Post Finance B.V.

# Annual Report 2017

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## 1. Management Report

### 1.1 Introduction

This report includes the 2017 Financial Statements of Deutsche Post Finance B.V. ("The Company"). The Company is part of Deutsche Post DHL Group ("The Group").

### 1.2 Business activities

The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL group companies.

### 1.3 Legal relationships

*General information*

The Company 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. Ultimate shareholder is Deutsche Post AG in Bonn, Germany.

*Management Board*

The Management Board currently consists of two members:

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

*Business address*

Pierre de Coubertinweg 7N, 6225 XT Maastricht.

### 1.4 Main business developments

The global economy picked up speed in 2017, mainly on the back of broad-based economic growth. In the industrial countries, average GDP growth came in at 2,3%. The growth rate for emerging markets rose to 4,7%.
In the euro zone, the economic upswing gathered strength in 2017, with domestic demand providing for strong momentum once again. Pronounced increases continued to be seen in private consumption and gross fixed capital formation, whilst government spending experienced weaker growth. Foreign trade contributed positively to economic growth, unlike in the previous year, where it had pronounced negative effect. The growth in foreign trade was ultimately responsible for the acceleration in GDP growth to 2,5%. From a regional perspective, economic growth was more balanced than in previous years.

The European Central Bank (ECB), initiated a cautious change in its monetary policy during 2017. In spring, the bank reduced the monthly volume of its bond-buying programme. As the year progressed, the ECB decided to even further reduce the monthly buy-back volume as of the beginning of 2018. Euro zone monetary policy nonetheless remained quite expansive. The ECB left its key financing rate at 0,00% and the deposit rate for the year as a whole was -0,40%.

The euro zone bond markets continued to be impacted during 2017 by the ECB's expansionary monetary policy, and capital market interest rates remained at a very low level. Towards the end of the year, favourable economic prospects and rising expectations that the ECB would soon tighten its monetary policy led to a slight increase in capital market interest rates.
At year-end 2017, yields on ten-year German government bonds had risen to 0,43% (previous year: 0,21%).
Risk premiums for corporate bonds with good ratings were not only well below the prior-year level at the end of 2017, but also low compared with long-term levels.

In the reporting period, the Company did not perform any activities on the capital markets. The dominant activity affecting the Company's balance sheet and profit and loss situation in 2017, was the repayment of the EUR 750.000.000, 1,875% bonds on 27 June.
In order to maintain the Group's future unrestricted access to the capital markets, the Company together with Deutsche Post AG, also updated their EUR 8 billion Debt Issuance Programme.

As the Company did not perform any activities on the capital markets, in particular did not refinance the matured bonds, its balance sheet total clearly has been reduced to EUR 558.084.648 compared to the end of last year [31 December 2016: EUR 1.471.779.036].
The Company's result after taxation for 2017 amounts to a profit of EUR 907.596. Excluding the net gain from hedge ineffectiveness, totaling EUR 278.038, the 2017 minimum margin result amounts to a profit of EUR 629.558 [EUR 943.912 in 2016] and is in line with the management's expectations.
The ineffectiveness recognised in the statement of comprehensive income results from strict hedge accounting requirements.

The main risks affecting the Company are interest and currency risks. Interest risks as well as currency risks are hedged according to the guidelines of the Group by the Group's Central Treasury. The variety of instruments used for hedging purposes and the policies are described in the notes to the Financial Statements.
The Company's attitude towards risk is an averse one. Hence, hedges are put in place in order to avoid interest and currency risks.

## 1.5 Future business developments

The global economy is expected to pick up slightly once more in 2018. The ECB will very likely maintain its key interest rate at the current level. The bank is also expected to continue to reduce its bond purchases, or even discontinue the programme entirely, should the euro zone economy remain solid.

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

The Group anticipates a reduction in its liquidity in the first half of 2018 as a result of the annual pension prepayments due to the Bundesanstalt für Post und Telekommunikation as well as the dividend payment for the financial year 2017 in May 2018.
However, the Group's operating liquidity situation will improve again significantly towards the end of the year, due to the upturn in business that is normal in the second half of a year.
In summary, the Group's liquidity situation remains solid.

For further information on the Group's expected financial position in 2018 reference is made to the Deutsche Post DHL Group Annual Report 2017.

The Debt Issuance Programme will be updated by Deutsche Post AG and the Company in the second half of 2018. Deutsche Post AG as well as the Company enjoy open access to the capital markets on account of their good ratings within the transport and logistics sector. Hence, the Group is well positioned to secure its long-term capital requirements.

The management of the Company is not aware of any plans to raise funds from the capital markets in 2018. 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.

## 1.6 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, 28 March 2018

The Management Board:

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

## 2. Financial Statements

### 2.1 Balance sheet

*(After appropriation of result)*

| Amounts in EUR | Note | At 31 December 2017 | | At 31 December 2016 | |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Long-term loans receivable from affiliates | (12) | 482.911.290 | | 500.111.290 | |
| Non-current derivatives | (13) | 40.310.637 | | 50.594.812 | |
| | | | 523.221.927 | | 550.706.102 |
| **Current assets** | | | | | |
| Short-term loans receivable | (14) | 0 | | 893.999.716 | |
| Short-term receivables from affiliated companies | (15) | 65.944 | | 12.195.075 | |
| Cash pool receivables | (16) | 34.789.525 | | 14.866.086 | |
| Other receivables | | 7.252 | | 12.057 | |
| | | | 34.862.721 | | 921.072.934 |
| | | | 558.084.648 | | 1.471.779.036 |
| **Shareholder's equity** | (17) | | | | |
| Share capital | | 18.500 | | 18.500 | |
| Capital reserve | | 2.000.000 | | 2.000.000 | |
| Hedge reserve | | 0 | | 2.263.248 | |
| Retained earnings | | 17.227.898 | | 16.320.302 | |
| | | | 19.246.398 | | 20.602.050 |
| **Long-term liabilities** | | | | | |
| Bonds long-term | (18) | 531.005.338 | | 541.109.406 | |
| Non-current derivatives | (13) | 0 | | 0 | |
| | | | 531.005.338 | | 541.109.406 |
| **Short-term liabilities** | | | | | |
| Bonds short-term | (18) | 0 | | 749.339.088 | |
| Current derivatives | (13) | 0 | | 145.310.818 | |
| Accrued interest | (19) | 7.813.014 | | 15.401.884 | |
| Other current liabilities and accruals | (20) | 19.898 | | 15.790 | |
| | | | 7.832.912 | | 910.067.580 |
| | | | 558.084.648 | | 1.471.779.036 |

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

## 2.2 Statement of comprehensive income

*For the year ended 31 December 2017*

| Amounts in EUR | Note | | 2017 | | 2016 |
|---|---|---|---|---|---|
| Interest income | (21) | 14.525.137 | | 23.814.190 | |
| Interest expenses | (22) | (13.782.479) | | (22.766.390) | |
| Other gains and losses | (23) | 278.038 | | 118.626 | |
| Other operating expenses | (24) | (113.100) | | (103.888) | |
| **Profit before taxes** | | | 907.596 | | 1.062.538 |
| Income tax expense | (25) | 0 | | 0 | |
| **Profit for the year** | | | 907.596 | | 1.062.538 |
| **Items that may be subsequently reclassified to profit or loss** | | | | | |
| Changes in hedge reserve | (17) | | (2.263.248) | | (8.815.637) |
| **Total Comprehensive loss** | | | (1.355.652) | | (7.753.099) |

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 shareholder's equity

*For the year ended 31 December 2017*

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

| Amounts in EUR | Total | Share capital | Capital reserve | Hedge reserve | Retained earnings |
|---|---|---|---|---|---|
| At 1 January 2016 | 28.355.149 | 18.500 | 2.000.000 | 11.078.885 | 15.257.764 |
| *Movements 2016* | | | | | |
| Value changes of derivatives | (8.815.637) | 0 | 0 | (8.815.637) | 0 |
| Net result 2016 | 1.062.538 | 0 | 0 | 0 | 1.062.538 |
| Balance at 31 December 2016 | 20.602.050 | 18.500 | 2.000.000 | 2.263.248 | 16.320.302 |
| *Movements 2017* | | | | | |
| Value changes of derivatives | (2.263.248) | 0 | 0 | (2.263.248) | 0 |
| Net result 2017 | 907.596 | 0 | 0 | 0 | 907.596 |
| Balance at 31 December 2017 | 19.246.398 | 18.500 | 2.000.000 | 0 | 17.227.898 |

*Notes to the Shareholder's Equity are included in note 17.*

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

## 2.4 Cash flow statement

*For the year ended 31 December 2017*

| Amounts in EUR | 2017 | 2016 |
|---|---|---|
| **Cash inflow** | | |
| Repayment of loans | 882.437.873 | 20.000.000 |
| Interest inflow | 60.071.013 | 60.903.045 |
| **Total cash inflow** | **942.508.886** | **80.903.045** |
| **Cash outflow** | | |
| Redemption of maturing bonds | (750.000.000) | 0 |
| New allocation of loans | (25.000.000) | (20.000.000) |
| Interest outflow | (57.243.388) | (58.107.022) |
| Other outflows (SLA, rating fee, etc.) | (104.186) | (101.484) |
| Increase of cash pool balance | (19.923.439) | (2.694.539) |
| Net outflow from maturing FX derivatives | (90.237.873) | 0 |
| **Total cash outflow** | **(942.508.886)** | **(80.903.045)** |
| **Net cash flow** | **0** | **0** |

Gross cash flows include cash movements from and towards the cash pool balance. The cash pool balance is related to the cash pool agreement between Deutsche Post Finance B.V. and Deutsche Post AG.

| Cash pool balance | 2017 | 2016 |
|---|---|---|
| Opening balance at 1 January | 14.866.086 | 12.171.547 |
| Increase of cash pool balance | 19.923.439 | 2.694.539 |
| **Closing balance at 31 December (note 16)** | **34.789.525** | **14.866.086** |

All cash flows are considered to be operating cash flows.

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 principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL group companies. The Company together with Deutsche Post AG has a EUR 8 billion Debt Issuance Programme in place.

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 28 March 2018.

### (2) *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 financial assets and financial liabilities held at fair value through profit or loss, and 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 10.

*New developments in international accounting under IFRS*
The following Standards, changes to Standards and Interpretations are required to be applied on or after 1 January 2017:

| | Required to be applied for financial years beginning on or after | Significance |
|---|---|---|
| Amendments to IAS 12<br>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses<br>(Issue date: 16 January 2016) | 1 January 2017 | Will not have an impact on these Financial Statements |
| Amendments to IAS 7<br>Cash Flow Statements – Disclosure Initiative<br>(Issue date: 29 January 2016) | 1 January 2017 | Irrelevant |

*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 |
|---|---|---|
| IFRS 9<br>Financial Instruments<br>(Issue date: 24 July 2014) | 1 January 2018 | Relevant |
| IFRS 15<br>Revenue from Contracts with Customers<br>(Issue date: 11 September 2015) | 1 January 2018 | Irrelevant |
| Amendments to IFRS 4<br>Insurance Contracts – Application of IFRS 9 Financial Instruments Jointly with IFRS 4 Insurance Contracts (Issue date: 12 September 2016) | 1 January 2018 | Irrelevant |
| IFRS 16 Leases<br>(Issue date 13 January 2016) | 1 January 2018 | Irrelevant |

In July 2014, the IASB published the complete version of IFRS 9, which replaces most of the guidance in IAS 39. This includes amended guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 has a very similar scope to IAS 39. The new classification approach on financial assets is based on their contractual cash flow characteristics and on the business model in which they are held. That will see financial assets classified and measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.
With that, the existing IAS 39 categories of held-to-maturity, loans and receivables, held-for-trading and available for sale are removed. Financial assets should be reclassified if and only if the objective of the business model in which they are held changes significantly. These reclassifications of financial assets will not have an effect on the Financial Statements of the Company.
No reclassifications of financial liabilities are allowed.

Under IFRS 9, it is no longer necessary for a loss event to have occurred before credit losses are recognised. Instead, the standard requires an entity to recognise a loss allowance for a financial asset measured at amortised cost based on expected credit losses. This means that there is generally a day one loss recognised in profit or loss when the financial asset is first recognised. The impact on the 2018 opening balances is estimated to be around EUR 0,9 million.

IFRS 9 will also more closely align hedge accounting with an entity's risk management activities. The three types of hedging relationships – cash flow hedges, fair value hedges and hedges of net investment in foreign operations – remain unchanged. The requirements in relation to documentation and designation are very similar to the requirements of IAS 39. It is still necessary to ensure that the hedging relationship is formally designated and documented, along with the entity's risk management objective and strategy for undertaking the hedge and how the entity will assess the hedge effectiveness requirements.

IFRS 9 increases the number of eligible hedged items and hedging instruments. For example, risk components of non-financial items, net positions and aggregated exposures may now qualify as hedged items and non-derivative financial instruments. This will not have an impact for the Company. In principle, the Company will make use of the option to continue to apply the provisions of IAS 39 on hedge accounting under IFRS9.
A hedging relationship is discontinued when it ceases to meet the qualifying criteria. If the risk management objective for a particular hedge is unchanged, hedge accounting cannot be voluntarily discontinued.

The Company has decided to apply the principles of hedge accounting in accordance with IAS 39 from 1 January 2018 until further notice.

*New accounting pronouncements not yet adopted by the EU.*
The IASB and the IFRIC issued further Standards and Interpretations in financial year 2017 and in previous years whose application is not yet mandatory for financial year 2017. 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 IFRS 2<br>(Issue date: 20 June 2016) | 1 January 2018 | Irrelevant |
| Annual Improvements to 2014 – 2016<br>(Issue date: 8 December 2016) | 1 January 2017/<br>1 January 2018 | Irrelevant |
| IFRIC 22<br>Foreign Currency Transactions and Advance Considerations<br>(Issue date: 8 December 2016) | 1 January 2018 | Irrelevant |
| Amendment to IAS 40<br>(Issue date: 8 December 2016) | 1 January 2018 | Irrelevant |
| IFRS 17<br>Insurance Contracts<br>(Issue date: 18 May 2017) | 1 January 2021 | Irrelevant |
| IFRIC 23<br>Uncertainty Regarding Income Tax Treatment<br>(Issue date: 7 June 2017) | 1 January 2019 | Effects are currently being evaluated |

| | Required to be applied for financial years beginning on or after | Significance |
|---|---|---|
| Amendments to IFRS 9<br>Financial Instruments: Early Repayment Arrangements with Negative Compensation<br>(Issue date: 12 October 2017) | 1 January 2019 | The amendment aims to clarify how certain financial instruments with early repayment provisions are classified in accordance with IFRS 9 |
| Amendments to IAS 28<br>Investments in Associates and Joint Ventures: Long-term Investments in Associates and Joint Ventures<br>(Issue date: 12 October 2017) | 1 January 2019 | Irrelevant |
| Annual Improvements to 2015 – 2017<br>(Issue date: 12 December 2017 | 1 January 2019 | Irrelevant |

## (3) *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 recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

## (4) *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. Derivatives held by the Company are swaps.
IAS 39 classifies all financial assets into four categories:

- Loans and receivables
- Held-to-maturity investments
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

In the Financial Statements 2017 and 2016 all receivables have been classified as “Loans and receivables” and all derivatives as “Financial assets at fair value through profit or loss”.

Financial instruments classified as loans and receivables, are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Impairment losses on financial instruments classified as loans and receivables are charged to income if the recoverable amount falls below the carrying amount. They are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Derivatives have been classified as "Financial assets at fair value through profit or loss". Initial recognition and subsequent measurement are disclosed under note (8) "Derivative financial instruments and hedge accounting".

All financial assets are recognised 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.

The fair values of the loans have been calculated by applying the discounted cash flow method. It is also referred to note 10 (a).

The carrying amounts of financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that is a measurable decrease in the estimated future cash flows since initial recognition.

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

## *(5) 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 and payables are part of the financial instruments and classified as "Loans and receivables" or as "Other liabilities" (note 6).

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

Cash pool receivables or cash pool payables to related parties are carried at amortised cost.

### *(6) Financial liabilities*

Financial liabilities are classified under IAS 39 in "Financial liabilities at fair value through profit or loss" and in "Other liabilities". Financial liabilities are recognised 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 have been classified as "Financial liabilities at fair value through profit or loss". Initial recognition and subsequent measurement are disclosed under note (8) "Derivative financial instruments and hedge accounting".
The remaining liabilities are classified as "Other liabilities". They are subsequently carried at amortised cost by applying the effective interest method.
The fair values of the bonds are derived from published market prices. The fair values of the other non-current liabilities have been calculated by applying the discounted cash flow method.

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

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

### *(7) 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Currently, there are no assets or liabilities which are offset.

### *(8) Derivative financial instruments and hedge accounting*

All derivative financial instruments are recognised 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 swaps and cross-currency interest rate swaps.

If hedge accounting is applied, the net profit or loss from both the derivative and the related hedged item are simultaneously recognised 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 recognised 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 unrealised 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 recognised in profit or loss. Accordingly, changes in the fair value of both the derivatives and the hedged item are simultaneously recognised 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 amortised to profit and loss over the period to maturity.

*Cash flow hedges*
Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. The amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction affects profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

### *(9) Interest income and expense*

Interest income and expense are recognised on a time-proportion basis using the effective interest method. When loans and receivables are impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues to amortise the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### *(10) 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 and advances*
The Company reviews its loans to assess impairment at least on a yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan.

*(b) Fair value of derivatives*
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.
Changes in assumptions about these factors could affect reported fair value of financial instruments.

## *(11) Financial risk management*

The capital managed by the Company is fixed until existing bonds need 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 customised tranches up to a stipulated total amount and enables it to react flexibly to changing market conditions.
The risk of default on loans granted to Deutsche Post DHL group companies is limited due to the financing support which, where circumstances require it, is expected to be expressed by Deutsche Post AG to these group companies to support them in their ability to repay their liabilities towards the Company.

The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL group companies. These activities 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. Suitable risk management software is used 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 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 2017 fixed rate bonds with a total notional volume of EUR 500 million were outstanding, maturing in 2022.

The proceeds of the EUR 750 million bonds which matured in 2017 have been used to grant a fixed rate USD 943 million loan to a Deutsche Post DHL group company in the US. The respective foreign currency and interest rate risk was hedged using a fixed to fixed cross-currency interest rate swap.
Cash flow hedge accounting was applied for this instrument.

The EUR 500 million bonds maturing in 2022 have 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 swaps have been taken into consideration.

If the market interest rates as at 31 December 2017 would have been 100 basis points higher, the net financial income would have increased by EUR 171.000 (2016: EUR 1.000). A 100 basis points decrease leads to the opposite effect (net financial income decreases by EUR 171.000).

The company did not have any outstanding cash flow hedging transactions on its balance sheet at the end of 2017, the equity impact of a hypothetical change in interest rates is therefore zero (2016: no impact)

*Foreign exchange risk*
The Company does not have any foreign currency transactions in its balance sheet as per 31 December 2017.
The former USD loan has been repaid in June 2017.

*Liquidity risk*
The Group ensures a sufficient supply of cash for group companies at all times via a largely centralised 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

**31-12-2017**

| 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) | (15) | (15) | (515) | 0 |
| Loans payable | 0 | 0 | 0 | 0 | 0 | 0 |
| | **(15)** | **(15)** | **(15)** | **(15)** | **(515)** | **(0)** |

** interests are included*

**31-12-2016**

| 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 * | (779) | (15) | (15) | (15) | (15) | (515) |
| Loans payable | 0 | 0 | 0 | 0 | 0 | 0 |
| | **(779)** | **(15)** | **(15)** | **(15)** | **(15)** | **(515)** |

** 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

**31-12-2017**

| 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 | 15 | 15 | 0 |
| Cash outflows | (5) | (6) | (8) | (9) | (5) | 0 |
| Derivative liabilities | | | | | | |
| Cash inflows | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash outflows | 0 | 0 | 0 | 0 | 0 | 0 |

**31-12-2016**

| 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 | 15 | 15 | 15 |
| Cash outflows | (6) | (5) | (6) | (7) | (8) | (5) |
| Derivative liabilities | | | | | | |
| Cash inflows | 767 | 0 | 0 | 0 | 0 | 0 |
| Cash outflows | (918) | 0 | 0 | 0 | 0 | 0 |

*Credit risk*

In general, the Company only grants intra Group loans. The risk of default on loans granted to Deutsche Post DHL group companies is limited due to the financing support which, where circumstances require it, is expected to be expressed by Deutsche Post AG to these group companies to support them in their ability to repay their liabilities towards the Company.

All derivative assets are concluded with Deutsche Post AG.

Cash pool balance receivables are subject to the credit risk of the head of the cash pool, which is Deutsche Post AG.

### *(12) Long-term loans receivable from affiliates*

Movements during the financial year were as follows:

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Opening balance at 1 January | 500.111.290 | 1.366.516.140 |
| New loans | 25.000.000 | 20.000.000 |
| Redemptions | (42.200.000) | (20.000.000) |
| Reclassified to short-term | 0 | (845.207.689) |
| Foreign currency translation differences | 0 | (21.197.161) |
| Balance at 31 December | 482.911.290 | 500.111.290 |

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

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Deutsche Post DHL group related parties | 482.911.290 | 500.111.290 |

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

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| 2022 | 482.911.290 | 500.111.290 |

Between October 2012 and December 2017 new loans for an amount totalling EUR 482.911.290 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:

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| EUR | 1.23% | 1,29% |

The carrying amounts and fair value of the long-term loans receivable at year end were:

| Carrying amounts | | Fair values | |
|---|---|---|---|
| 31-12-2017 | 31-12-2016 | 31-12-2017 | 31-12-2016 |
| EUR | EUR | EUR | EUR |
| 482.911.290 | 500.111.290 | 511.632.149 | 533.123.831 |

The fair values are based on contractual cash flows discounted using a rate based on the current market rate. These market rates are reflecting the credit risk of Deutsche Post AG.

The carrying amounts of the Company's long-term loans receivable at year end were denominated in the following currencies:

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| EUR | 482.911.290 | 500.111.290 |

The Company has the following fixed rate/floating rate long-term loans:

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Floating rate loans | 482.911.290 | 500.111.290 |

## (13) *Derivative financial instruments and hedging*

*Derivative financial instruments*
The following table provides an overview of the derivatives applied by the Company:

| Fair values | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Interest rate swaps (positive value) | 40.310.637 | 50.594.812 |
| Cross-currency interest rate swaps (negative value) | 0 | (145.310.818) |
| Total FV of all derivative financial instruments | 40.310.637 | (94.716.006) |

The positive market value of the interest rate swaps is included in the non-current assets. The cross-currency interest rate swap expired in June 2017.

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.

*Notional amounts:*

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Interest rate swaps | 500.000.000 | 500.000.000 |
| Cross-currency interest rate swaps | 0 | 750.000.000 |

*Fair value hedges*
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 in 2022. The positive fair value of this fixed to floating interest rate swap amounts to EUR 40.310.637 [2016: EUR 50.594.812].

*Cash flow hedges*
Cash flow hedges are entered into to hedge the interest and currency cash flow risk on bonds/loans resulting from foreign currency and interest rate changes.

In 2012 the Company granted a long-term USD denominated fixed interest loan. In order to hedge the associated risks ,the Company entered into a fixed to fixed cross-currency interest rate swap, changing the fixed USD 943.125.000 receivables of the loan into a fixed EUR 750.000.000 receivable and the related interest receivable. The loan and the hedge expired in June 2017, resulting in an exchange gain of EUR 90.237.873 from the USD loan, which was fully compensated by the respective loss from the hedge.

## *(14) Short-term loans receivable*

Movements during the financial year were as follows:

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Opening balance at 1 January | 893.999.716 | 0 |
| Redemptions | (840.237.873) | 0 |
| Reclassified from long-term loans receivable | 0 | 845.207.689 |
| Foreign currency translation differences | (53.761.843) | 48.792.027 |
| Balance at 31 December | 0 | 893.999.716 |

In June 2012, a USD-loan was granted to DPWN Holdings (USA) Inc., for an amount of USD 943.125.000 and an interest rate of 2,647%. The loan matured in 2017.

None of the short-term loans receivable are impaired.

The carrying amounts of the Company's short-term loans receivable at year end were:

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Deutsche Post DHL group companies | 0 | 893.999.716 |
| | 0 | 893.999.716 |

Fair values of short-term loans receivable are considered to approximate their carrying amounts since they have a maturity of less than one year.

The nominal interest rates at the balance sheet date for the short-term loans were as follows:

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| USD | - | 2,65% |

### *(15) Short-term receivables from affiliated companies*

Short-term receivables represent interest receivables.

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Interest receivable from Deutsche Post DHL group companies | 65.944 | 12.195.075 |

### *(16) Cash pool receivables*

Short-term receivables represent cash pool balances from Deutsche Post AG.

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Cash pool receivables – Deutsche Post AG | 34.789.525 | 14.866.086 |

### *(17) Shareholder's equity*

*Share capital*
The authorised share capital of the Company as at 31 December 2017 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.

*Hedge reserve*
Net gains or losses from changes in the fair value of the effective portion of the interest rate part of a cash flow hedge are taken directly to the hedge reserve. The hedge reserve is released to income when the hedged item is settled. The ineffective portion of the cash flow hedges is excluded from the hedge reserve and recognised in profit and loss for the year. The hedge reserve at the end of 2017 is zero as all cash flow hedges have expired.

| | **2017** | **2016** |
|---|---|---|
| | EUR | EUR |
| Opening balance at 1 January | 2.263.248 | 11.078.885 |
| Effective portion of changes in fair value of cash flow hedges | (2.263.248) | (8.815.637) |
| Balance at 31 December | 0 | 2.263.248 |

*Proposal for the appropriation of net result 2017*

| | **2017** |
|---|---|
| | EUR |
| Profit for the year | 907.596 |

The Management Board proposes to transfer the profit for the year 2017 to the retained earnings.

## *(18) Bonds – long-term and short-term*

On 25 June, 2012 the Company issued EUR 750.000.000, 1,875% bonds of 2012/2017 with an issue price of 99,467% (Bond 2017) and EUR 500.000.000, 2,95% bonds of 2012/2022 with an issue price of 99,471% (Bond 2022). Bond 2022 is listed at the Luxembourg Stock Exchange. Bond 2017 was repaid in 2017.

The bonds issued by the Company are fully guaranteed by Deutsche Post AG.

Nominal amounts:

| **Bonds** | **31-12-2017** | **31-12-2016** |
|---|---|---|
| | EUR | EUR |
| Bond 2017 | 0 | 750.000.000 |
| Bond 2022 | 500.000.000 | 500.000.000 |
| | 500.000.000 | 1.250.000.000 |

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| The maturity of the bonds as reported at year end is: | | |
| 1 – 5 years, nominal value | 500.000.000 | 750.000.000 |
| > 5 years, nominal value | 0 | 500.000.000 |
| | 500.000.000 | 1.250.000.000 |

The carrying amounts of the amortised costs of the bonds (before the fair value adjustments relating to hedging) are as follows:

| Bonds | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Bond 2017 | 0 | 749.339.088 |
| Bond 2022 | 497.743.849 | 497.282.759 |
| | 497.743.849 | 1.246.621.847 |

The carrying amounts of the bonds (after fair value adjustment relating to hedging) are as follows:

| Bonds | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Bond 2017 | 0 | 749.339.088 |
| Bond 2022 | 531.005.338 | 541.109.406 |
| | 531.005.338 | 1.290.448.494 |

The fair values of the bonds are as follows:

| Bonds | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Bond 2017 | 0 | 757.710.000 |
| Bond 2022 | 561.090.000 | 572.130.000 |
| | 561.090.000 | 1.329.840.000 |

The effective interest rates, taking into account the effect of interest rate swaps are as follows:

| Bond | 31-12-2017 | 31-12-2016 |
|---|---|---|
| Bond 2017 | - | 2,0613% |
| Bond 2022 | 1.0631% | 1,1164% |

### (19) *Accrued interest*

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Accrued interest payable to bondholders | 7.556.850 | 14.761.473 |
| Accrued charges for guarantee provision | 256.164 | 640.411 |
| | 7.813.014 | 15.401.884 |

The guarantee provision relates to the guarantees issued by Deutsche Post AG (guarantor) in favour of the investors in the 2012/2017 and 2012/2022 bonds issued by the Company (warrantee).

### (20) *Other current liabilities and accruals*

The breakdown of accruals and deferred income is as follows:

| | 31-12-2017 | 31-12-2016 |
|---|---|---|
| | EUR | EUR |
| Other accruals | 19.898 | 15.790 |
| | 19.898 | 15.790 |

All balances stated above fall due within 1 year.

## *(21) 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:

| | **2017** | **2016** |
|---|---|---|
| | EUR | EUR |
| Interest income on loans to Deutsche Post DHL group companies | 16.504.383 | 29.882.305 |
| Interest expenses from cross-currency swaps (Deutsche Post AG) | (1.979.246) | (6.068.115) |
| | 14.525.137 | 23.814.190 |

## *(22) Interest expenses*

Interest expenses due on bonds can be specified as follows:

| | **2017** | **2016** |
|---|---|---|
| | EUR | EUR |
| Interest expenses (fixed) Bond 2017 | (6.857.877) | (14.082.185) |
| Interest expenses (fixed) Bond 2022 | (14.750.000) | (14.770.646) |
| Interest income from interest rate swaps related to Bond 2022 | 9.813.153 | 9.092.230 |
| Amortisation of the bond discount and issue costs and release of upfront compensation payment (deferred income) | (1.122.002) | (1.754.039) |
| Guarantee provision | (865.753) | (1.251.750) |
| | (13.782.479) | (22.766.390) |

## *(23) Other gains and losses*

| | **2017** | **2016** |
|---|---|---|
| | EUR | EUR |
| Gains (Losses) from fair valuation of interest rate swaps | (10.461.721) | 6.013.281 |
| Gains (Losses) from foreign exchange differences | (53.761.843) | 27.594.865 |
| Gains from hedge ineffectiveness | 278.038 | 118.626 |
| Gains (Losses) from fair valuation of cross-currency interest rate swaps | 53.761.843 | (27.594.865) |
| Gains (Losses) from valuation of bonds (interest related) | 10.461.721 | (6.013.281) |
| | 278.038 | 118.626 |

The gains and losses from foreign exchange differences result from the translation of loans denominated in foreign currencies.

## *(24) Other operating expenses*

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Legal, consulting and audit fees | (62.000) | (59.380) |
| Other administrative expenses | (51.100) | (44.508) |
| | (113.100) | (103.888) |

For the independent auditor's fees refer to note 32.

## *(25) 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 recognised in the accounts of Deutsche Post International B.V. as head of the fiscal unity.

## *(26) 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 2017**

**31-12-2017**

| EUR | Carrying amount | Loans and receivables | Other liabilities | Derivatives designated as hedging instrument |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | **523.221.927** | **482.911.290** | **0** | **40.310.637** |
| Long-term loans receivable | | | | |
| *At amortised cost* | 482.911.290 | 482.911.290 | 0 | 0 |
| Non-current derivatives positive FV | | | | |
| *At fair value* | 40.310.637 | 0 | 0 | 40.310.637 |
| **Current assets** | **34.862.721** | **34.862.721** | **0** | **0** |
| Short-term loans receivable | | | | |
| *At amortised cost* | 0 | 0 | 0 | 0 |
| Short-term receivables from affiliated companies | | | | |
| *At amortised cost* | 34.789.525 | 34.789.525 | 0 | 0 |
| Cash pool receivables | | | | |
| *At amortised cost* | 65.944 | 65.944 | 0 | 0 |
| Other receivables | | | | |
| *At amortised cost* | 7.252 | 7.252 | 0 | 0 |
| Current derivatives positive FV | | | | |
| *At fair value* | 0 | 0 | 0 | 0 |
| **Total assets** | **558.084.648** | **517.774.011** | **0** | **40.310.637** |

**31-12-2017**

| EUR | Carrying amount | Loans and receivables | Other liabilities | Derivatives designated as hedging instrument |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Long-term liabilities** | **(531.005.338)** | **0** | **(531.005.338)** | **0** |
| Bonds long-term | | | | |
| *At amortised cost* | (531.005.338) | 0 | (531.005.338) | 0 |
| Non-current derivatives negative FV | | | | |
| *At fair value* | 0 | 0 | 0 | 0 |
| **Short-term liabilities** | **(7.832.912)** | **0** | **(7.832.912)** | **0** |
| Bonds short-term | | | | |
| *At amortised cost* | 0 | 0 | 0 | 0 |
| Accrued interest | | | | |
| *At amortised cost* | (7.813.014) | 0 | (7.813.014) | 0 |
| Other current liabilities and accruals | | | | |
| *At amortised cost* | (19.898) | 0 | (19.898) | 0 |
| Short-term payables | | | | |
| *At amortised cost* | 0 | 0 | 0 | 0 |
| Current derivatives negative FV | | | | |
| *At fair value* | 0 | 0 | 0 | 0 |
| **Total liabilities** | **(538.838.250)** | **0** | **(538.838.250)** | **0** |

**Reconciliation of carrying amounts in the balance sheet as at 31 December 2016**

| 31-12-2016<br>EUR | Carrying amount | Loans and receivables | Other liabilities | Derivatives designated as hedging instrument |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | **550.706.102** | **500.111.290** | **0** | **50.594.812** |
| Long-term loans receivable | | | | |
| *At amortised cost* | 500.111.290 | 500.111.290 | 0 | 0 |
| Non-current derivatives positive FV | | | | |
| *At fair value* | 50.594.812 | 0 | 0 | 50.594.812 |
| **Current assets** | **921.072.934** | **921.072.934** | **0** | **0** |
| Short-term loans receivable | | | | |
| *At amortised cost* | 893.999.716 | 893.999.716 | 0 | 0 |
| Short-term receivables from affiliated companies | | | | |
| *At amortised cost* | 14.866.086 | 14.866.086 | 0 | 0 |
| Cash pool receivables | | | | |
| *At amortised cost* | 12.195.075 | 12.195.075 | 0 | 0 |
| Other receivables | | | | |
| *At amortised cost* | 12.057 | 12.057 | 0 | 0 |
| Current derivatives positive FV | | | | |
| *At fair value* | 0 | 0 | 0 | 0 |
| **Total assets** | **1.471.779.036** | **1.421.184.224** | **0** | **50.594.812** |

| 31-12-2016<br>EUR | Carrying amount | Loans and receivables | Other liabilities | Derivatives designated as hedging instrument |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Long-term liabilities** | **(541.109.406)** | **0** | **(541.109.406)** | **0** |
| Bonds long-term | | | | |
| *At amortised cost* | (541.109.406) | 0 | (541.109.406) | 0 |
| Non-current derivatives negative FV | | | | |
| *At fair value* | 0 | 0 | 0 | 0 |
| **Short-term liabilities** | **(910.067.580)** | **0** | **(764.756.762)** | **(145.310.818)** |
| Bonds short-term | | | | |
| *At amortised cost* | (749.339.088) | 0 | (749.339.088) | 0 |
| Accrued interest | | | | |
| *At amortised cost* | (15.401.884) | 0 | (15.401.884) | 0 |
| Other current liabilities and accruals | | | | |
| *At amortised cost* | (15.790) | 0 | (15.790) | 0 |
| Short-term payables | | | | |
| *At amortised cost* | 0 | 0 | 0 | 0 |
| Current derivatives negative FV | | | | |
| *At fair value* | (145.310.818) | 0 | 0 | (145.310.818) |
| **Total liabilities** | **(1.451.176.986)** | **0** | **(1.305.866.168)** | **(145.310.818)** |

If there is an active market for a financial instrument (e.g., stock exchange), the fair value is determined by reference to the market or quoted exchange price at the balance sheet date. If no fair value is available in an active market, the quoted prices in an active market for similar instruments or recognised valuation techniques are used to determine the fair value. The valuation techniques used incorporate the key factors determining the fair value of the financial instruments using validation parameters that are derived from the market conditions as at the balance sheet date. Counterparty risk is analysed on the basis of the current credit default swaps signed by the counterparties.

The following table presents the classes of financial instruments recognised 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 December 2017**

| EUR | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Non-current assets | 0 | 551.942.786 | 0 | 551.942.786 |
| Current assets | 0 | 0 | 0 | 0 |
| **Total assets** | **0** | **551.942.786** | **0** | **551.942.786** |

| EUR | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Long-term liabilities | (561.090.000) | 0 | 0 | (561.090.000) |
| Short-term liabilities | 0 | 0 | 0 | 0 |
| **Total liabilities** | **(561.090.000)** | **0** | **0** | **(561.090.000)** |

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 December 2016**

| EUR | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Non-current assets | 0 | 583.718.643 | 0 | 583.718.643 |
| Current assets | 0 | 0 | 0 | 0 |
| **Total assets** | **0** | **583.718.643** | **0** | **583.718.643** |

| EUR | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Long-term liabilities | (572.130.000) | 0 | 0 | (572.130.000) |
| Short-term liabilities | (757.710.000) | (145.310.818) | 0 | (903.020.818) |
| **Total liabilities** | **(1.329.840.000)** | **(145.310.818)** | **0** | **(1.475.150.818)** |

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 2017 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 recognised in the balance sheet at their gross amounts as at the reporting date.
To hedge cash flow and 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 recognised at their gross amount in the Financial Statements.

### *(27) Cash flows*

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 received or paid any dividends during 2017.

### *(28) Related party transactions*

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

### *(29) Employees*

The Company has no employees. Employees of the Deutsche Post European Financial Shared Services in Maastricht and the Treasury Center in Bonn perform the administrative activities.

### *(30) 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.

### *(31) 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.

### (32) *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 2017:

| | **2017** | **2016** |
|---|---|---|
| | EUR | EUR |
| Audit of the Financial Statements | 44.400 | 39.880 |
| Other audit services | 21.300 | 19.500 |
| | 65.700 | 59.380 |

### (33) *Post balance sheet events*

No post balance sheet events have occurred.

***Signatures:***

Maastricht, 28 March 2018

The Management Board:

.................................... ....................................

Roland W. Buss Timo L.F. van Druten

## 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 2017

### Our opinion

In our opinion Deutsche Post Finance B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 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 2017 of Deutsche Post Finance B.V., Maastricht ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- the following statements for 2017: the statement of comprehensive income, statement of changes in shareholder's equity and the cash flow statement; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been 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. Our responsibilities under those standards are further described 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.



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## Independence

We are independent of Deutsche Post Finance B.V. in accordance with the European 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 requirements in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

# Our audit approach

## Overview and context

The company’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 18 to the financial statements. The company has financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus following from the operations of the Company, as set out below.

An important event in 2017 is the settlement of the bond and the related loans to group companies which matured in 2017. As a result, the balance sheet has decreased significantly. This affected the determination of materiality as described in the section ‘Materiality’.

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 paragraph 10 of the financial statements the company describes the areas of judgment 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 to be 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 internal 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 area of financial instruments in our team.

## *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 the materiality for the financial statements as a whole at €5.000.000 (2016: €6.000.000). We determined materiality based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. Based thereon we applied a benchmark of 1% of total assets.

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 (2016: €300.000) 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 that were 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.

Due to the nature of the company's business we recognise that key audit matters which we reported in our independent auditor's report on the financial statements 2016 may be long-standing and therefore may not change significantly year over year. As compared to last year there have been no changes in key audit matters .

The key audit matters were addressed 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 comments or observations we make on the results of our procedures should be read in this context.

| ***Key audit matter*** | ***How our audit addressed the matter*** |
|---|---|
| ***Valuation and existence of the loans issued***<br>*Notes 12 and 14*<br>We consider the valuation and existence of the loans issued, as disclosed in notes 12 and 14 to the financial statements for a total amount of €482.911.290, 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 judgmental. As a result, any impairment may have a material effect on the financial statements.<br><br>The management board did not identify any objective evidence that a loan is impaired. | 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 possible loss events to address the valuation:<br>• We evaluated the financial situation of the Deutsche Post DHL group companies to which loans have been provided by analysing their respective current financial data (such as result and equity) and their ability to repay the notional and interest payments to the company.<br>• We evaluated the financial position of the Deutsche Post DHL group companies by |

| Key audit matter | How our audit addressed the matter |
|---|---|
| | verifying observable data from rating agencies, developments in credit spreads and other publicly available data.<br>• 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.<br>• We compared our own estimates of the fair values of the loans issued with those made by management.<br>• We performed intercompany reconciliation procedures with the counterparties of the loans.<br><br>We found the management board's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences. |
| ***Derivative valuation***<br>*Note 13*<br>We consider the fair value of the derivative portfolio of €40.310.637 as disclosed in note 13 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 tested the valuation of the derivative as well as the valuation of the hedged item in hedge accounting relationships by comparing our own estimates of the values of the derivative with those made by management for the derivative.<br>Based on these procedures, 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. We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger. Based on the procedures as set out above, we found no material differences. |
| ***Hedge accounting***<br>*Note 13*<br>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:<br>• 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.<br>• We reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements.<br>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 directors' 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 directors' 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 27 April 2017 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of fifteen 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.

## 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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all 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, 28 March 2018
PricewaterhouseCoopers Accountants N.V.

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

## *Appendix to our auditor's report on the financial statements 2017 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 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. 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 safeguards.

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.