ANNUAL REPORT

2008

Delivering on the Future

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

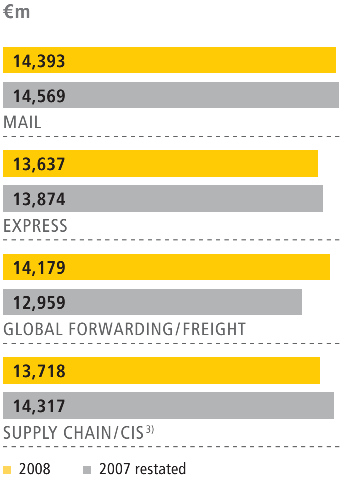
Key Figures

Selected key figures[1]

		2007 restated	2008	+/– %
Profit from operating activities (EBIT) before non-recurring items	€m	2,668	2,410	–9.7
Non-recurring items	€m	535	2,977	–
EBIT	€m	2,133	–567	–126.6
Revenue	€m	54,043	54,474	0.8
Return on sales[2]	%	3.9	–	
Consolidated net profit/loss[3]	€m	1,383	–1,688	–
Operating cash flow (Postbank at equity)	€m	2,808	3,362	19.7
Net debt (Postbank at equity)[4]	€m	2,858	2,412	–15.6
Return on equity before taxes	%	8.6	–9.0	
Earnings per share[5]	€	1.15	–1.40	–
Dividend per share	€	0.90	0.60[6]	–33.3
Number of employees[7]		447,626	456,716	2.0

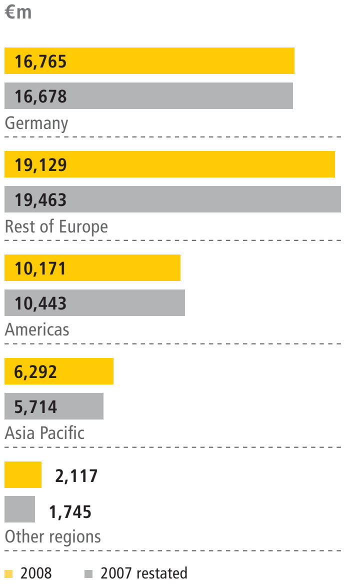
1) Excluding Postbank. 2) EBIT/revenue. 3) Excluding minorities, including Postbank. 4) Adjusted for financial liabilities to Williams Lea minority shareholders. 5) Including Postbank. 6) Proposal. 7) Average FTE.

Revenue by division[1, 2]



1) Excluding Corporate Center/Other and discontinued operations.
2) Note 10.
3) CORPORATE INFORMATION SOLUTIONS.

Revenue by region[1, 2]



1) Continuing operations.
2) Note 10.

At a Glance

ANNUAL REPORT

2008

Delivering on the Future

We are both Germany's postal operator and the global market leader for logistics. Our Deutsche Post and DHL brands stand for a wide range of easily accessible services and sustainable solutions for the transport of letters, goods and information. With around 500,000 employees in more than 220 countries and territories, we are one of the world's most important employers. As the largest company in our industry, we take our responsibility to the environment seriously. We have developed GoGreen – our environmental initiative that institutes a systematic approach to achieving our climate protection target. @ **www.dpwn.com**

Deutsche Post

Deutsche Post delivers mail and parcels in Germany, and we are specialists in dialogue marketing and press distribution services. In Germany, we operate the largest network of fixed-location retail outlets – around 14,000 – where Postbank services are also offered. At the heart of our nationwide transport and delivery network are 82 mail centres processing around 70 million items per working day and 33 parcel centres, where on six days a week our handling volume exceeds 2.5 million units. An annual volume of around 7.5 billion items makes us the cross-border mail market leader and Europe's largest postal operator. @ **www.deutschepost.com**

DHL

DHL delivers time-critical shipments as well as goods and merchandise by road, rail, air or sea. We transport courier and express shipments via one of the world's most extensive networks – our gateway to over 220 countries and territories. We are the world's largest air and ocean freight operator and one of the leading overland freight forwarders in Europe and the Middle East. In 65 countries all over the world, we offer customised solutions in outsourced contract logistics at every link in the supply chain. Our tailored solutions for both digital and print information round off our comprehensive offering. @ **www.dhl.com**

Milestones 2008

CHANGES TO GROUP BOARD OF MANAGEMENT

FEBRUARY/MARCH +++ Dr Frank Appel is appointed as new chairman of the Board of Management. The LOGISTICS Division is dissolved and split between two board departments. Bruce Edwards becomes the new Board member in charge of the SUPPLY CHAIN/CIS Division and Hermann Ude the new Board member in charge of the GLOBAL FORWARDING/FREIGHT Division. +++

SALE OF REAL ESTATE PORTFOLIO

APRIL +++ The Group sells a portfolio of approximately 1,300 properties located mainly in Germany to US investor Lone Star for €1 billion in cash. +++

GROUP SETS CLIMATE PROTECTION TARGET

APRIL +++ Deutsche Post World Net – the largest player in its industry – sets itself a measurable climate protection target. For every letter posted, every container shipped and every square metre of space used, the Group aims to reduce its carbon footprint by 30% below 2007 levels by 2020. +++

WAGE AGREEMENT REACHED

APRIL +++ During their collective-bargaining negotiations, Deutsche Post AG and the service trade union Verdi agree on an extended job security pact, a pay increase for staff covered by the collective-bargaining agreement and additional weekly working hours for about 130,000 company employees. The collective agreement will end on 30 June 2010. +++

DIVIDEND DISTRIBUTED

MAY +++ A dividend per share of €0.90 for financial year 2007 is distributed. The total dividend amounts to €1,087 million. +++

DHL OPENS EUROPEAN AIR FREIGHT HUB

MAY +++ European air freight hub at Leipzig/Halle Airport launches operations. The Group invested around €300 million in the facility where approximately 1,500 tonnes of freight are transhipped each working day. +++

EUROPEAN COURT AWARDS DEUTSCHE POST REPAYMENT

JULY/AUGUST +++ The European Court of First Instance annuls a decision by the European Commission, which had ordered Deutsche Post to repay purported state aid. As a result, the German government repaid the sum of €1,067 million to Deutsche Post. +++

STEPS INITIATED TO SELL POSTBANK

SEPTEMBER +++ Deutsche Post agreed to sell a minority stake in Postbank to Deutsche Bank. The sale of the first tranche of the shareholding will be completed in the first quarter of 2009. +++

RESTRUCTURING OF THE US EXPRESS BUSINESS

NOVEMBER +++ Deutsche Post World Net announces that it will exit the domestic express business in the USA by the beginning of 2009. The international express offering in the United States will be maintained. +++

2008

What we achieved in 2008:

We have agreed to sell shares in Deutsche Postbank to Deutsche Bank and we began to reorganise our US express business. We have consistently implemented the initiatives set forth in our Roadmap to Value capital markets programme and ran a tight cost management system. Thanks not least to these efforts, we met our adjusted target for the period. Earnings from operating activities (excluding Postbank) were just above our target of €2.4 billion.

2009

What we plan to achieve in 2009:

The economic downturn has impacted the entire logistics industry. Yet we remain convinced that our strong brands – Deutsche Post and DHL – and our global reach make us well-equipped for difficult times. To mitigate adverse effects from materially lower business volumes, we plan to make fewer investments and to lower indirect costs by €1 billion by 2010 in a Group-wide cost-cutting drive.

Detailed table of contents

DELIVERING ON THE FUTURE

+++ The economic developments and the shift in customers' behaviour have prompted us to re-examine the most important factors determining our business. As a result, we have developed strategic goals and initiatives, examples of which we present in this report.

We are following the trend towards globalisation by maintaining a higher presence in rapidly growing markets and our own customer relationship management organisation for key customers. We are responding to the shift to outsourcing with integrated and customised logistics solutions, and we are fulfilling our responsibility to the environment by offering climate-neutral products. Our dedicated employees provide what we need to achieve high customer loyalty. We take our responsibility to our customers' needs, employees, investors and society very seriously. That's why we say we're delivering on the future. +++

GLOBAL PRESENCE

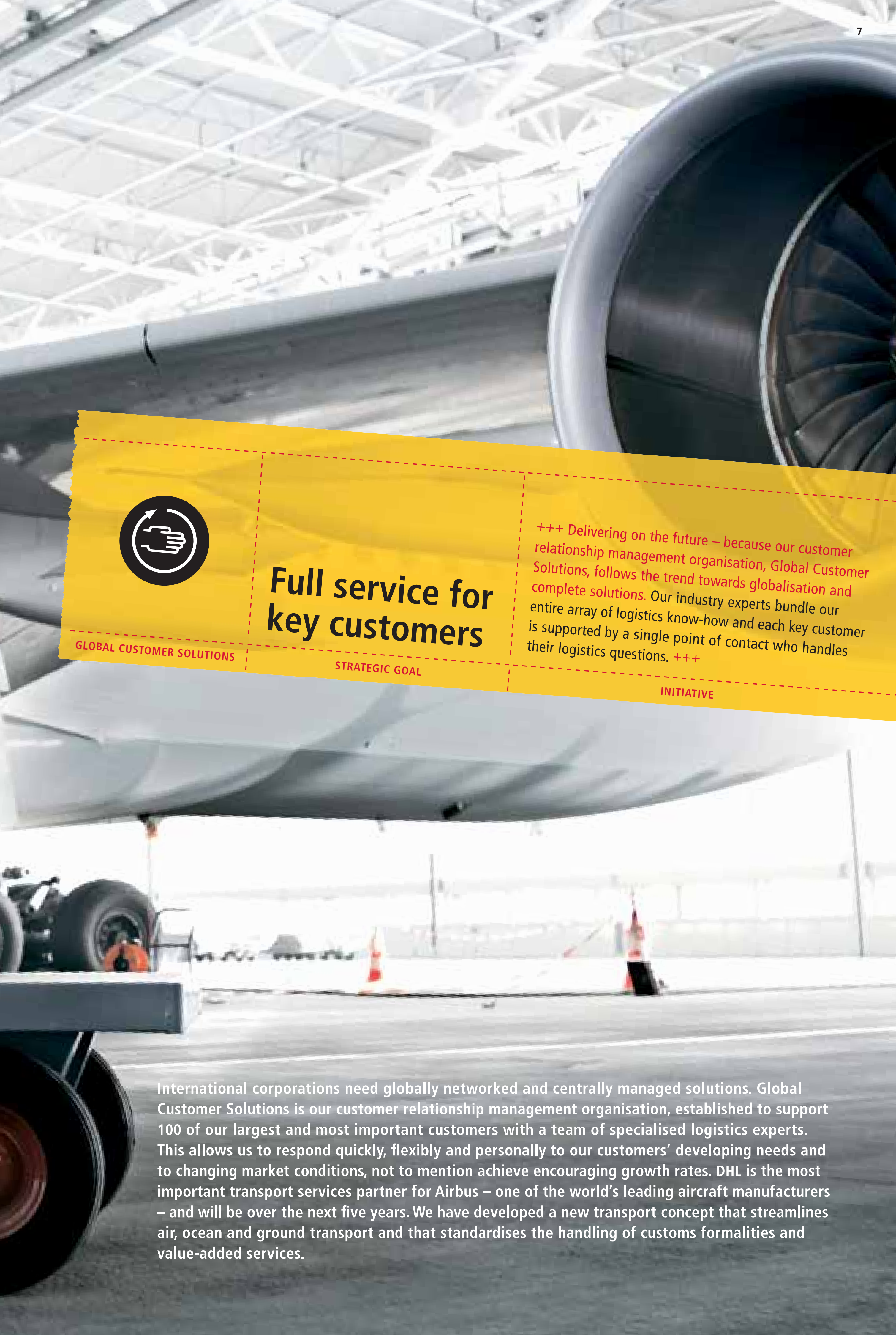
At home in the markets of the future

STRATEGIC GOAL

+++ Delivering on the future – because our strong global presence gives us an edge in dynamic future markets. Asia, Eastern Europe and the Middle East are the key growth drivers of our express and logistics business. +++

INITIATIVE

We are continuously expanding our international presence and investing in infrastructure. We have established and expanded air hubs, particularly in the Asia Pacific region. Starting in 2010, DHL will service the Chinese market primarily from our new northern Asia hub at Pudong International Airport in Shanghai and be able to guarantee time-definite deliveries to cities in northern Asia. This new gateway augments the Asia Pacific hubs in Hong Kong, Bangkok, Incheon, Singapore and Sydney. In Jebel Ali, the free-trade zone in Dubai, we have opened the largest transhipment centre of its kind in the Middle East. Our customers in the freight business use the centre as an intermediate storage point when transporting goods between Europe, Africa and Asia.



GLOBAL CUSTOMER SOLUTIONS

STRATEGIC GOAL

Full service for key customers

INITIATIVE

+++ Delivering on the future – because our customer relationship management organisation, Global Customer Solutions, follows the trend towards globalisation and complete solutions. Our industry experts bundle our entire array of logistics know-how and each key customer is supported by a single point of contact who handles their logistics questions. +++

International corporations need globally networked and centrally managed solutions. Global Customer Solutions is our customer relationship management organisation, established to support 100 of our largest and most important customers with a team of specialised logistics experts. This allows us to respond quickly, flexibly and personally to our customers' developing needs and to changing market conditions, not to mention achieve encouraging growth rates. DHL is the most important transport services partner for Airbus – one of the world's leading aircraft manufacturers – and will be over the next five years. We have developed a new transport concept that streamlines air, ocean and ground transport and that standardises the handling of customs formalities and value-added services.

GOGREEN

A drive towards sustainability

STRATEGIC GOAL

+++ Delivering on the future – because we have taken the initiative as the largest player in our industry and have set ourselves a measurable climate protection target. Our GoGreen products offer customers a climate-neutral shipping option, which we have not only introduced across Europe but have also already extended into 17 countries in the Asia Pacific region. +++

INITIATIVE

For every letter posted, every container shipped and every square metre of space used, we aim to reduce our carbon footprint by 30% below 2007 levels by the year 2020. As an interim target, we are striving to improve our CO_2 efficiency by 10% by 2010. To meet this climate protection target, we have developed a systematic approach: the Group's GoGreen programme. By using energy-efficient processes and technologies, offering climate-neutral products and leading an environmentally conscious workforce, we are fulfilling our responsibility to the environment. GoGreen items are climate-neutral because the emissions caused by their transport are offset by climate protection measures, such as solar or hydroelectric plants.

INDUSTRY EXPERTISE

STRATEGIC GOAL

Customised solutions

INITIATIVE

+++ Delivering on the future – because we develop customised logistics solutions for each individual product. As the market leader in outsourced contract logistics, we align our services precisely to our customer's needs. For we are not only logistics experts, but also specialists in our customers' industries. +++

As economic structures become more complex and more globally networked, our customers continuously face new challenges when it comes to planning, managing and monitoring their business processes. We lead the market in offering customised logistics solutions to meet these challenges. For example, DHL developed its ColdChain freight product – backed by state-of-the-art technology and quality service – to safely transport sensitive products such as pharmaceuticals and vaccines for the healthcare industry within a temperature-controlled network. ColdChain is the logistics solution that meets all the requirements of the industry – from two-stage, adjustable refrigerated transport and GPS tracking to especially fast transit times – so that our customers can concentrate fully on their core business.


Deutsche Post

2 1 3

FIRST CHOICE

Being the First Choice

STRATEGIC GOAL

+++ Delivering on the future – because we have developed our First Choice service campaign, creating a culture of continuous improvement. With consistent customer orientation amongst our employees, we aim to improve our service systematically in all areas and at every point of contact. This way we will become the best service provider and every customer's First Choice. +++

INITIATIVE

All of our employees bear a very special responsibility – a responsibility to their customers. In order to meet their product and service needs, we have developed the First Choice programme. Our overall objective is to raise customer loyalty and thereby increase growth because we will only maintain our leading position in the industry into the future by being the best logistics company. Around 500,000 employees are working together to make our company the First Choice worldwide. The success of the programme proves us right: All organisational units that have implemented these initiatives have demonstrably higher levels of customer satisfaction.

Dr Frank Appel, Chairman of the Board of Management

25 February 2009
Financial year 2008

Dear Shareholders,

Frank Appel

Chief Executive Officer
Deutsche Post AG

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

25 February 2009
Financial year 2008

Dear Shareholders,

One year into my chairmanship of the Board of Management, the Group has carved out a clear path for continued success. We have initiated steps to sell Postbank and to restructure the US express business, consistently implemented the Roadmap to Value and prepared ourselves for the impacts of the global economic crisis.

For Postbank, we have found the perfect partner in Deutsche Bank. Our thorough analyses and sound decision-making processes have paid off, and we established attractive conditions for the transaction despite the difficult market climate.

The second decision of great consequence concerned our US express business. In May, we began to restructure the business from the ground up in order to minimise losses that were no longer acceptable. Nevertheless, the weak US economy and declining shipment volumes have since then forced us to take even more drastic measures. In November, we decided to focus our express business in the US on our international offering and to exit the domestic business. This was certainly one of the most difficult decisions I have had to take in my management career to date.

The current economic crisis has taught us that we must do more to safeguard the future of our Group. With our Roadmap to Value capital markets programme, we are already well underway. As a result of the programme's initiatives, we have achieved encouraging growth rates in the emerging economies, cut costs and made operational improvements. We increased our reporting transparency by now reporting the logistics business units separately and our financial position is stable. Net cash from operating activities increased significantly, whilst working capital declined.

Thanks to these efforts, we have met our adjusted target for the period. Earnings from operating activities before non-recurring items (excluding Postbank) were just above our target of €2.4 billion. However, non-recurring items impacted our earnings. The repayment from the German government awarded as a result of the state aid proceedings boosted earnings, whilst the restructuring costs for the US express business and a write-down on the goodwill of SUPPLY CHAIN/CIS undermined our bottom line. Adjusted for non-recurring items, we are reporting a loss. EBIT (excluding Postbank) declined to € –567 million; the Group generated a consolidated net loss for the period of €1.98 billion.

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The economic downturn has impacted the entire logistics industry appreciably and, in turn, our business. Trading volumes continued to weaken in most of our business units, especially in the fourth quarter. We have seen that this trend has continued and even intensified in the first weeks of the new financial year.

Yet we are taking action. In keeping with our Roadmap to Value, we intend to cut costs further – an additional €1 billion by the end of 2010. We are setting strict standards for investments and acquisitions and further tightening our working capital. The restructuring in the US is progressing according to plan. We intend to minimise losses there to US $ 400 million (annualised) by the last quarter of 2009.

Management is setting a clear example: The Board of Management and the Supervisory Board will not receive any performance-based bonuses for the past financial year.

I am thoroughly convinced that we will come out of the recession in a stronger position. Since we are the market leader with a global network and a comprehensive portfolio, we are able to respond more flexibly than competitors to our customers' changing requirements.

Now that we have boldly and systematically set a clear course, it is time to take up our strategy for the future. We want to maintain our position as "Die Post für Deutschland" (the postal service for Germany) whilst making optimum use of the global strength of our logistics business.

Together with our around 500,000 employees, we are creating a corporate culture marked by a focus on results and mutual respect. We intend not only to meet the expectations of our customers and shareholders in the future but to exceed them.

I would like to sincerely thank our employees for their hard work in an extremely challenging year and I thank you for your trust in our company. We would like to show our appreciation by proposing a dividend of €0.60 per share this year.

Yours faithfully,

GROUP MANAGEMENT REPORT

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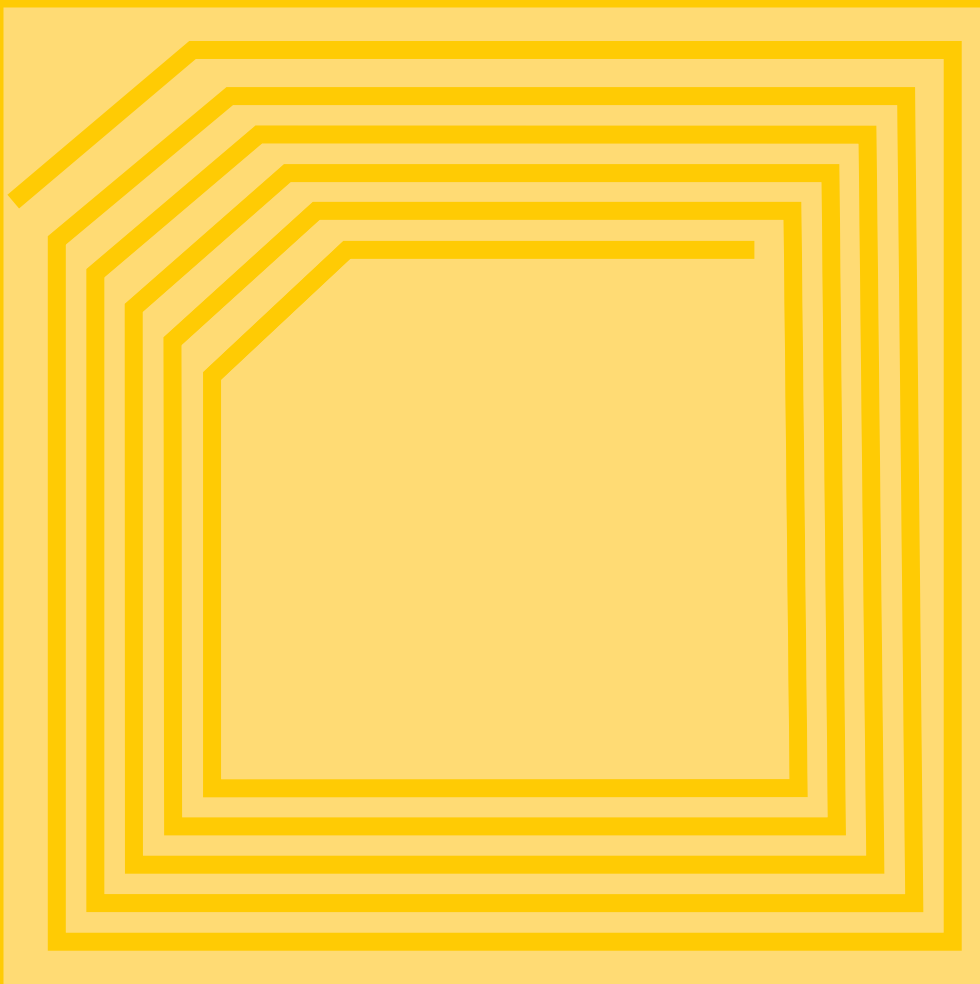

RADIO FREQUENCY IDENTIFICATION (RFID) is a system that uses radio signals to locate and identify merchandise, batched products and transport assets fitted with special electronic chips. This enables the automatic tracking and tracing of merchandise and assets throughout the supply chain. RFID can help to reduce administration, optimise the use of warehousing space and thereby increase productivity on the whole.

Symbol: RFID chip

Overview

Carving out a clear path in a difficult environment

The year 2008 was an extraordinary year for our Group. It began with a transition in management and successful wage agreements. As the year progressed, we agreed to sell shares of Postbank to Deutsche Bank and we began to reorganise our US express business. All of this took place in the shadow of a weak financial market that evolved into a global economic crisis during the course of the year.

Thanks above all to the fact that we consistently implement the initiatives set forth in our Roadmap to Value capital markets programme and run a tight cost management system, we have met our adjusted target for the period: Earnings from operating activities before non-recurring items (excluding Postbank) were just above our target of €2.4 billion.

In the year under review, non-recurring items impacted our earnings. The repayment from the German government awarded as a result of the state aid proceedings boosted earnings, whilst the restructuring costs for the US express business and an impairment loss on the goodwill of SUPPLY CHAIN/CIS undermined our bottom line.

Including non-recurring items, we are reporting a loss: EBIT (excluding Postbank) declined by €2.7 billion to €–567 million; the Group generated a consolidated net loss for the period of €1.98 billion.

Consolidated revenue (excluding Postbank) grew by 0.8% to €54.5 billion. Trading volumes continued to drop in most of our business units in a year-on-year comparison, especially in the fourth quarter. All of our divisions performed below the expectations, which we had laid out at the beginning of the reporting year in a different economic environment.

Our financial position appears to be stable. Net cash from operating activities (Postbank at equity) significantly increased, whilst working capital fell. Moreover, because investments were below the prior-year level, free cash flow grew significantly by €950 million to €2,448 million.

By agreeing to sell Postbank and initiating restructuring activities, we are carving out a strategic path on which we can take our continuing operations and face the challenges of the current economic crisis head on. We are confident that we will come out of the crisis a stronger market leader.

Selected key indicators for results of operations [1]

		2007	2008
Revenue	€m	54,043	54,474
Profit/loss from operating activities (EBIT)	€m	2,133	–567
Return on sales [2]	%	3.9	–
Consolidated net profit/loss [3]	€m	1,383	–1,688
Earnings per share [4]	€	1.15	–1.40
Dividend per share	€	0.90	0.60 [5]

1) Excluding Postbank. 2) EBIT/revenue. 3) Excluding minorities, including Postbank. 4) Including Postbank. 5) Proposal.

Business and Environment

Business activities and organisation

Our business is global transport

Deutsche Post World Net offers integrated services and customised solutions for the processing and transport of goods and information in a global market.

In the MAIL Division, we transport mail and parcels in Germany, and we are specialists in dialogue marketing and press distribution services. We also offer mail and communications services through direct links to more than 140 countries across the globe. Our portfolio additionally includes a wide range of electronic services.

Our EXPRESS Division provides courier and express services to business and private customers. We can draw on an extensive network that covers 220 countries and territories.

In the GLOBAL FORWARDING/FREIGHT Division, we carry goods by rail, road, air and sea. We are the world's largest air and ocean freight operator and one of the leading overland freight carriers in Europe.

Our SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS Division (hereinafter SUPPLY CHAIN/CIS) is the world leader in contract logistics, providing warehousing and ground-based transport services plus specialist sector-based value-added solutions along the entire supply chain. We also offer end-to-end solutions for corporate information and communications management.

We have centralised the Group's internal services, such as IT and Procurement, into the Global Business Services (GBS) Board Department, which allows us to respond more flexibly to the requirements of our business and leverage economies of scale and cost benefits.

Our four operating divisions

The Group is organised into four operating divisions, each of which operates under the control of its own divisional headquarters. The Group management functions are performed by the Corporate Center.

Divisions

MAIL	EXPRESS	GLOBAL FORWARDING/FREIGHT	SUPPLY CHAIN/CIS
• Mail Communication	• Europe	• Global Forwarding	• Supply Chain
• Dialogue Marketing	• Americas	• Freight	• Corporate Information Solutions
• Press Services	• Asia Pacific		
• Parcel Germany	• EEMEA		
• Retail Outlets			
• Global Mail			
• Pension Service			

Organisation aligned with strategic orientation

As announced in the prior year and with effect from 1 January 2008, we unbundled the SERVICES Division, allocated the costs of Global Business Services to the operating units and assigned the retail outlets to the MAIL Division. We now report a more narrowly defined unit, Corporate Center/Other.

On 18 February 2008, the Supervisory Board of Deutsche Post AG appointed Dr Frank Appel as the new chairman of the Board of Management after Dr Klaus Zumwinkel resigned from the Board of Management. Dr Appel had been the Board member in charge of the LOGISTICS Division. His appointment prompted us to reallocate responsibility for the logistics business in the middle of the first quarter and divide it between two Board of Management members. Since that time, Hermann Ude has headed the Global Forwarding and Freight business units, and Bruce Edwards has headed the Supply Chain and Corporate Information Solutions business units.

This new structure reflects the increasing business volume and the different business models: Global Forwarding and Freight engage chiefly in transport services, whilst Supply Chain and Corporate Information Solutions offer customised logistics and communications solutions. We have reported this structure under segment reporting since the second quarter of 2008. We successively reorganised the global and regional organisational structure of the two new Board departments.

In the third quarter, the Pension Service was reallocated from the FINANCIAL SERVICES Division to the mail business. Having agreed to the sale of our subsidiary, Deutsche Postbank, we have reported its activities under “discontinued operations” since the third quarter of 2008. Dr Wolfgang Klein resigned from Deutsche Post’s Board of Management effective 10 November 2008.

Group structure from different perspectives

Corporate government structure

Structure in accordance with governance tasks and responsibilities (boards and committees)
- Corporate Center
- Divisions
- Global Business Services

Management responsibilities

Structure in accordance with decision-making responsibility and reporting lines
- Board departments
- Corporate departments
- Business departments
- Service departments
- Regions
- Departments

Legal structure

Structure based on the Group’s legal entities
- Deutsche Post AG
- Deutsche Postbank AG

Brand names

Structure in accordance with brand names used in customer communication
- Deutsche Post
- DHL

Disclosures required by takeover law

Disclosures required under Sections 289 (4) and 315 (4) of the *Handelsgesetzbuch* (HGB – German commercial code) and explanatory report

Composition of issued capital, voting rights and transfer of shares

As at 31 December 2008, the company’s share capital totalled €1,209,015,874 and was composed of the same number of no-par value registered shares. Each share carries the same statutory rights and obligations and entitles the holder to one vote at the Annual General Meeting (AGM). No individual shareholder or group of shareholders is entitled to special rights, particularly rights granting powers of control.

The exercise of voting rights and the transfer of shares are based on the general legal requirements and the company’s Articles of Association, which do not restrict either of these activities. Article 19 of the Articles of Association sets out the requirements that must be met in order to attend the AGM as a shareholder and exercise a voting right. Only those persons entered as such in the share register are considered by the company to be shareholders. The Board of Management is not aware of any agreements between shareholders that restrict voting rights or the transfer of shares.

Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, is our largest shareholder, holding around 30.5% of the share capital. The Federal Republic of Germany holds an indirect stake in Deutsche Post AG via KfW. According to the notifications we have received pursuant to Sections 21 ff. of the *Wertpapierhandelsgesetz* (WpHG – German securities trading act), KfW and the German government are the only shareholders who own more than 10% of the share capital, either directly or indirectly.

Appointment and replacement of members of the Board of Management

The members of the Board of Management are appointed and replaced in accordance with the relevant legal provisions (Sections 84 and 85 of the *Aktiengesetz* (AktG – German stock corporation act) and Section 31 of the *Mitbestimmungsgesetz* (MitbestG – German co-determination act)). In accordance with Section 84 of the AktG and Section 31 of the MitbestG, members of the Board of Management are appointed by the Supervisory Board for a maximum of five years. They may be re-appointed or have their term of office extended, in each case for a maximum of five years. Article 6 of the Articles of Association stipulates that the Board of Management must have at least two members. Beyond that, the number of Board members is determined by the Supervisory Board, which may also appoint a chairman and deputy chairman of the Board of Management. Details of changes on the Board of Management during the year under review are reported in Business activities and organisation.

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Amendments to the Articles of Association

In accordance with Section 119 (1), No. 5 and Section 179 (1), sentence 1 of the AktG, amendments to the Articles of Association are adopted by resolution of the AGM. In accordance with Article 21 (2) of the Articles of Association in conjunction with Sections 179 (2) and 133 of the AktG, such amendments generally require a simple majority of the votes cast and a simple majority of the share capital represented. In cases where the law requires a larger majority for amendments to the Articles of Association, that majority is decisive.

Under Article 14 (7) of the Articles of Association, the Supervisory Board has the authority to resolve amendments to the Articles of Association in cases where the amendments affect only the wording. In addition, AGM resolutions passed on 5 June 2003 (Contingent Capital II), 18 May 2005 (2005 authorised capital) and 8 May 2007 (Contingent Capital III) authorised the Supervisory Board to amend the wording of the Articles of Association to reflect the respective share issue or the use of authorised capital and following the expiry of the respective authorisation period.

Board of Management authorisation, particularly regarding issue and buy-back of shares

Subject to the consent of the Supervisory Board, the Board of Management is authorised to issue up to 174,796,228 new no-par value registered shares in exchange for non-cash contributions in the period to 17 May 2010 and thereby increase the company's share capital by up to €174,796,228 (2005 authorised capital, Article 5 (2) of the Articles of Association).

Shareholders' pre-emptive subscription rights are disapplied. It is standard business practice in Germany to use authorised capital as acquisition currency. The 2005 authorised capital allows the company to acquire companies and shareholdings flexibly and without recourse to the capital market. The authorised capital is equivalent to less than 15% of the share capital. At the AGM on 21 April 2009, the Board of Management and the Supervisory Board will propose the replacement of the 2005 authorised capital with the 2009 authorised capital in the amount of €240 million.

New no-par value shares may only be issued from Contingent Capital II (Article 5 (3) of the Articles of Association) in order to service the subscription rights granted under the 2003 Stock Option Plan. To this end, the company's share capital has been contingently increased by up to €2,726,658. Up to 2,726,658 Deutsche Post AG shares are still available for subscription under the 2003 Stock Option Plan. It is no longer possible to issue new stock options under the plan.

On the basis of an AGM resolution passed on 8 May 2007, the Board of Management is authorised, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds or a combination thereof (hereinafter referred to collectively as "bonds with warrants and/or convertible bonds") on one or more occasions in the period to 7 May 2012 up to a total nominal value of €1 billion and in doing so grant option and/or conversion rights on new shares with a total notional value of up to €56 million. To this end, the share capital has been contingently increased by up to €56 million (Contingent Capital III, Article 5 (4) of the Articles of Association). When issuing bonds with warrants and/or convertible bonds, shareholders' pre-emptive subscription rights may only be disapplied subject to the terms of the aforementioned authorising resolution and with the consent of the Supervisory Board. The details are contained in the motion under agenda item 7 adopted at the AGM on 8 May 2007.

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It is standard business practice amongst publicly listed companies in Germany to authorise the issue of bonds with warrants and/or convertible bonds. This allows the company to be flexible and prompt in financing its activities and gives it the scope it requires to take advantage of favourable market situations quickly and at short notice, for example, by enabling it to offer the company's shares or bonds with warrants/convertible bonds as consideration in a business combination or when acquiring companies or interests in companies. To date, the Board of Management has not made use of this authorisation.

Finally, at the AGM on 6 May 2008, the company was authorised to buy back shares representing up to 10% of the share capital at that date during the period to 31 October 2009. At no time may these shares together with the shares already repurchased and still held by the company represent more than 10% of the share capital. The shares may be purchased through the stock market, a public offer, a public call for offers of sale from the company's shareholders or by some other means in accordance with Section 53 a of the AktG. The Board of Management may use the authorisation for any purpose permitted by law, in particular to retire the repurchased shares without a further AGM resolution and with the consent of the Supervisory Board. The details are contained in the motion under agenda item 6 adopted at the AGM on 6 May 2008.

@ investors.dpwn.com

It is standard business practice amongst publicly listed companies in Germany for the AGM to each year authorise the company to buy back shares. At the AGM on 21 April 2009, the Board of Management and the Supervisory Board will propose that this authority be granted for a further year.

Any public offer to acquire shares in the company is governed solely by the law and the Articles of Association, including the provisions of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG – German securities acquisition and takeover act). The AGM has not authorised the Board of Management to undertake any action within the former's authority to block possible takeover bids.

Significant agreements that are conditional upon a change of control following a takeover bid and agreements with members of the Board of Management or employees providing for compensation in the event of a change of control

If a takeover occurs, Board of Management members Hermann Ude and Bruce Edwards are each entitled to resign their office as a member of the Board of Management for good cause within a period of six months following the change in control after giving three months' notice as of the end of the month and to terminate their Board of Management contracts (right to early termination). In the event of the right to early termination being exercised or a Board of Management contract being terminated by mutual consent under the same conditions, the Board of Management member is entitled to payment to compensate the remaining term of his Board of Management contract. Such payment is limited to the cap pursuant to the recommendation of No. 4.2.3 of the German Corporate Governance Code as amended on 6 June 2008. The agreements are outlined in the Remuneration Report.

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Remuneration of the Board of Management and the Supervisory Board

Remuneration Report, page 116 ff.

The basic features of the remuneration system for the Board of Management and the Supervisory Board are described in the Corporate Governance Report under Remuneration Report. The latter also forms part of the Group Management Report.

Economic parameters

Downturn in world economy

Growth in the global economy slowed appreciably in 2008. To start with, the world markets appeared robust but, as the year went on, the fragility emanating from the United States spread to an increasing number of countries and regions. The situation was made much worse by the extremely high oil price and very weak US dollar. When the financial market crisis escalated in September, the downward trend accelerated. Global economic output rose by only 3.4% (previous year: 5.2%), the international exchange of goods by 4.8% (Global Trade Navigator) – the lowest growth since 2002.

Growth indicators for 2008

%	Gross domestic product	Exports	Domestic demand
USA	1.3	6.5	–0.1
Japan[1]	–0.4	2.5	–0.7
China	9.0	17.2	n/a
Euro zone[1]	0.9	1.5	0.8
Germany	1.3	3.9	1.6

1) Estimates as at 2 February 2009; source: Postbank Research, national statistics.

In the United States, the housing market crisis, the weakness of the financial markets and the at times very high oil prices have led to flagging domestic trade. Private consumption stagnated overall, even shrinking in the second half of the year. The economy was propped up by foreign trade, although this also began to suffer as a result of the global recession in the further course of the year. Gross domestic product (GDP) grew by as little as 1.3% (previous year: 2.0%), the smallest increase since the recession of 2001.

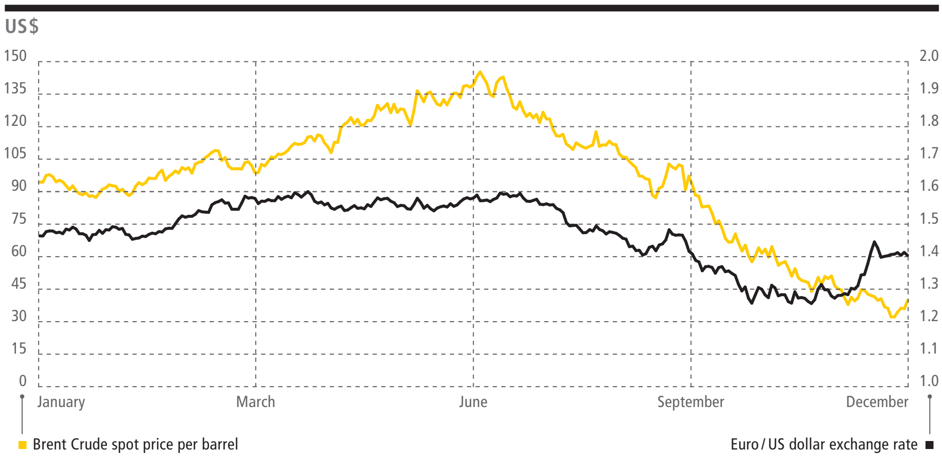
Even Asia was unable to buck the global trend. Although the continent's emerging markets recorded the highest growth at nearly 8%, this still fell well short of the prior-year figure (+10.6%). In China, GDP increased by 9.0% and exports improved by 17.2%. The trade surplus climbed to some US$295 billion. The country is also retaining its appeal to foreign investors, whose direct investments actually rose to around US$92 billion.

Since the Japanese economy depends heavily on exports, it has been particularly hard hit by the global slowdown. GDP fell by 0.4%, which means Japan was already clearly in recession in 2008.

After a good start to the year, the euro zone economy has been slowing since the spring. Private consumption and investments have fallen, whilst unemployment increased. Moreover, the strong euro proved to be a drag on exports. The crisis on the financial markets hugely intensified the recessive trends in the autumn; GDP only grew by another 0.9% (previous year: 2.6%).

Germany also suffered a downturn following the dynamic start to the year. Foreign trade put a damper on growth and private consumption stagnated. Despite a noticeable drop in unemployment and increased incomes, German citizens nevertheless maintained consumption at a constant level. At +1.3%, GDP growth was higher than in the euro zone as a whole but still well below the prior-year level (+2.5%).

Brent Crude spot price and euro/US dollar exchange rate in 2008



Oil price rollercoaster ride

The average annual oil price was around 34% higher than in 2007 but prices were wildly erratic. In the first half of the year, international oil prices soared. A barrel (159 litres) of Brent Crude climbed from just under US$100 at the start of the year to a peak of US$145. In the second half of 2008, the recessive trends caused energy demand to fall sharply. In December, the oil price dropped to around US$40 per barrel, its lowest level since 2004.

Euro hits historic high

In the first six months of 2008, the US dollar was under immense downward pressure. The weak US economy and the crisis on the financial markets prompted the Federal Reserve to reduce its key interest rate seven times in 2008 from 4.25% to a range of between 0% and 0.25%. Since the European Central Bank (ECB) initially held its rate steady at 4%, even raising it to 4.25% in July, the euro's interest rate advantage over the US dollar increased, bringing it to an all-time high of US$1.60. This trend shifted in the second half of the year. Economic weaknesses and falling price pressure provoked the ECB to lower its key interest rate as far as 2.5%. This meant the euro once again depreciated in value against the dollar, closing the year at US$1.40. Measured against the pound sterling, the euro posted a 30.1% gain.

Corporate bonds suffer under financial market crisis

In the euro zone, capital market returns rose in the first half of the year but fell sharply thereafter. At the end of the year, ten-year German treasury bonds were yielding just under 3%, some 1.4 percentage points less than at the end of 2007. In the same period, the return on ten-year US treasury bonds fell by 1.8 percentage points to only 2.2%. Although the interest rates have fallen steeply, the climate for corporate bonds has deteriorated. The financial market crisis has unsettled investors to such an extent that risk premiums have leapt right up, even for high-quality corporate bonds.

Slowdown in international trade growth

International trade depends to a large extent on how dynamic global economic development is. Hence, although it did grow again in 2008, this growth was clearly below the prior-year levels on almost all major trade lanes. North American imports even declined.

Furthermore, the growth structure shifted. A look at the trade flows between Asia Pacific and the United States or Europe shows that imports on these lanes are growing faster than exports. At the same time, trade flows within Asia – the second largest domestic market after Europe – are growing much faster than trade flows within Europe.

Compound annual growth rate 2007 – 2008

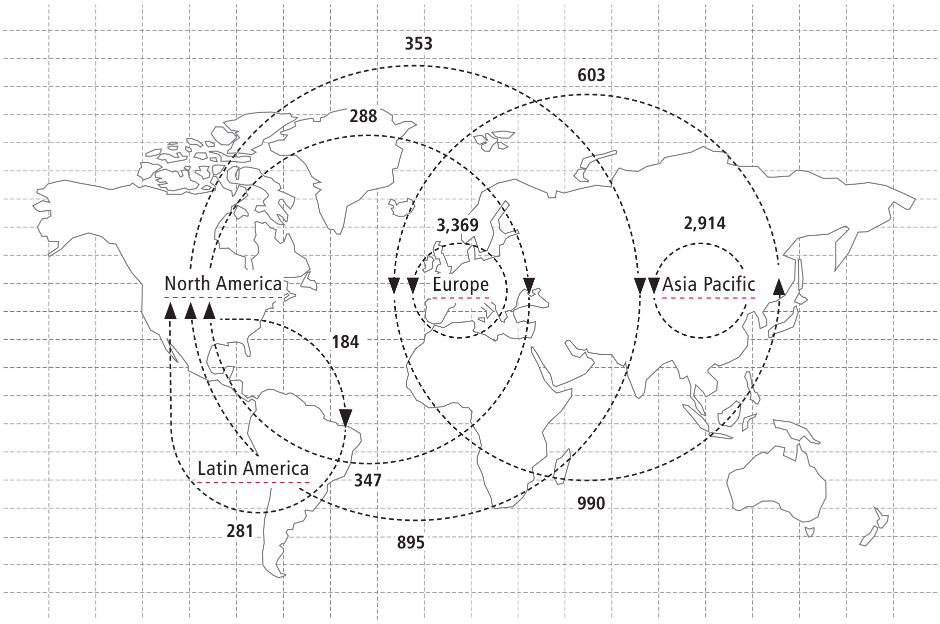
% Export / Import	Asia Pacific	Europe	Latin America	North America
Asia Pacific	9	7	9	–2
Europe	12	2	7	–3
Latin America	7	4	4	–3
North America	5	5	6	–2

Source: Global Trade Navigator; as at December 2008.

The following diagram shows the volumes of the most important international trade flows.

International trade flows: volumes 2008

US$ billion



Source: Global Trade Navigator.

What impacts our business?

We operate worldwide and are represented in over 220 countries and territories, including all major economic regions. The following overview shows the overall market as well as the courier, express and parcel (CEP) markets relevant to us; the regions reflect our business structure. The relevant parameters and our market shares are detailed in the Divisions chapter.

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Market volumes

Global
- Cross-border mail market (2008): €10.4bn 1)
- Air freight (2007): 20.9m tonnes 3)
- Ocean freight (2007): 29.6m TEU 6)
- Contract logistics (2007): €206bn 8)

Europe
- German mail communication market (2008): €6.5bn 1)
- CEP international (2007): €15.3bn 4)
- Road transport (2007): €163.7bn 7)

USA
- Global mail (2008): €50bn 1)
- CEP international (2007): €7.5bn 5)

Asia
- CEP international (2007): €5.9bn 2)

1) Company estimates. 2) Country base: AU, CN, HK, ID, IN, JP, KR, NZ, MY, PH, SG, TH, TW, VN; international shipments < 1,000 kg. Source: AT Kearny, TMS 2008. 3) Data are based solely on export freight tonnes; source: Global Insight, Global Trade Navigator. 4) Country base: A, B, BG, CH, CZ, D, DK, E, FIN, GB, GR, H, I, IRL, L, N, NL, PL, RO, S, SK, SLO; international shipments < 1,000 kg. 5) New market portrayal: these figures are estimates for outbound international shipments < 1,000 kg. Source: MRSC in co-operation with Colography Group 2008. 6) Twenty-foot equivalent unit. 7) Total for 14 European countries, excluding bulk and specialities transport. Source: MRSC, freight reports 2007 and 2008, Eurostat 2007. 8) Company estimates based on Datamonitor input.

Economic developments and the shift in customers' behaviour have prompted us to re-examine the most important factors determining our business. Four trends that have proven to be stable and irreversible in a range of scenarios are making a strong impact on our business:

1. **Globalisation** The elimination of trade and customs barriers is enabling companies to develop new markets and move activities to locations that offer competitive advantages. As a result, trade is growing more quickly in the international than the national arena, fuelling demand for transport and logistics. It is, however, to be expected that low-value, labour-intensive products will increasingly be produced in countries that are geographically close and have a low wage level. Also, for less time-critical shipments, demand is expected to rise for more fuel-efficient transport. Since we are well positioned in the typical low-wage countries of Eastern Europe and Latin America and our range of services covers all means of transport, we will also benefit from this trend.
2. **Outsourcing** In times of economic stagnation, pressure on companies to reduce costs and streamline business processes increases. For this reason, there is a growing trend towards outsourcing. Also, supply chains are becoming more complex and are being placed increasingly on an international footing. Accordingly, an increasing number of customers are demanding integrated solutions that provide them with a broad range of services worldwide. As a global, integrated logistics service provider, we benefit from this trend.
3. **Digitalisation** The internet has changed the way in which information is exchanged. Written communication is being replaced increasingly by electronic data transmission. Quantities and revenues are declining, especially in the traditional mail business. On the other hand, the internet brings dealers and customers closer together and creates new demand for transport of goods, advertising materials and contract documentation.
4. **Climate change** There is a growing awareness for the environment and climate. Although it is not yet possible to completely assess what the effects of the move towards a more eco-friendly industry will be, we see great opportunities for ourselves. Demand is now emerging for climate-neutral products, which we have already begun to develop. Furthermore, legislation is being passed that forces companies to reduce their CO_2 emissions. We help companies to comply with requirements by providing energy-efficient transport.

Legal environment

In view of our leading market position, a large number of our services are subject to sector-specific regulation under the German postal act. Further information on this issue and legal risk is contained in the Notes to the consolidated financial statements.

Note 54

Strategy and goals

Prepared for difficult times

The economic decline has affected the entire logistics sector, including many of our customers. We are nonetheless convinced that our strong brands and global reach will serve us well in the difficult times ahead. The Group spent 2008 solving key strategic issues and thus laying the foundation for future growth in our core competencies.

Sale of Postbank agreed

For our subsidiary, Deutsche Postbank AG, we have found a reliable partner for the future in Deutsche Bank. We also succeeded in establishing attractive conditions for the transaction despite the difficult market climate. In so doing, the Group has set a new course for the future. We will be shifting focus to our core competencies – mail, express and logistics – and gradually exiting the financial sector. Deutsche Post and Postbank will nonetheless continue to share retail outlets even beyond 2012.

US express business to be restructured

Another decision of far-reaching consequence involved our express business in the United States, where we have initiated restructuring activities in order to reduce the losses there and alleviate risk for our Group. We will also be concentrating on our core competencies in this market: shipments to and from the US. We are confident that this is the best way for us to serve customers in the US, which continues to be an important market. This decision will also give our company room to move forward and attain profitable performance on a reliable basis. The restructuring will not affect the other DHL business units in the United States. We will continue to invest in these businesses in the future.

Initiatives launched to boost growth and profit

We take our responsibility to our customers' needs, our employees, our investors and society very seriously. A vital part of this responsibility is ensuring that our operations management is geared towards profitable, sustained growth. To reach this goal, we have launched several Group-wide initiatives:

1. **First choice for customers** The better we know our customers' needs, the better we are able to respond to them. For this reason, many of our business units have surveyed customers to find out how satisfied they are with our services. As part of our First Choice programme, we systematically evaluate the survey findings, which we use to improve specific aspects of our service quality. Every hour, we have more than one million interactions with customers – opportunity enough to give them a good impression of our services.

   The success of this programme proves us right: All organisational units that have implemented these initiatives have demonstrably higher levels of customer satisfaction. In 2008, this resulted in additional Group revenues. Moreover, those business units operating under the DHL brand and Global Business Services succeeded in reducing their costs.

Employees, page 76

Capital Market, page 39

Sustainability, page 77

2 **Every ONE counts** This was the motto of our second Group-wide employee survey, which aims to measure and support employee commitment. It also shows management how familiar employees are with key strategic issues and how strongly they identify with them. This helps us increase transparency – a central focus of our corporate and leadership culture.

3 **Creating added value for investors** Our Roadmap to Value capital markets programme is aimed at making us not only the first choice for customers and employees but also for investors wishing to engage in the logistics industry. The programme made notable progress in the year under review, which we report in the Capital Market section. However, since the economic climate continued to deteriorate over the course of the year, we expanded the Roadmap to Value to include a far-reaching cost reduction programme. Between 2009 and 2010 the Group plans to lower its indirect costs by €1 billion.

4 **Sustainable action** The logistics industry is one of the key beneficiaries of the strong growth in global trade experienced in recent years. However, increased goods transport leads to higher CO_2 emissions, which according to climate researchers are a prime cause of global warming. As the largest company in our industry, we take our environmental responsibility seriously. We have developed GoGreen as a Group-wide programme aimed at systematically reaching the Group's climate protection target.

Future core competencies of our business

We deliver the mail in Germany and are the global market leader in logistics. In the future, we intend to build on these two pillars of our business. We want to maintain our position as *Die Post für Deutschland* (the postal service for Germany) whilst making optimum use of the global strength of our logistics business.

The Deutsche Post brand stands for a company that sets global standards in quality, technology and efficiency and has already proven itself able to very successfully meet the challenges inherent in this mature market. The mail business therefore represents the foundation upon which our international expansion rests. Our goal is to continue operating highly profitably in the MAIL Division and to enhance our range of services by adding communications products.

The DHL brand stands for a comprehensive product portfolio and worldwide logistics presence. Our EXPRESS, GLOBAL FORWARDING/FREIGHT and SUPPLY CHAIN/CIS divisions operate in attractive market segments, and we see no need for significant portfolio adjustments. Our goal is to continue taking advantage of excellent growth opportunities in the logistics industry. There is undoubtedly room for improving our capacity in this sector. For this reason, we plan to more closely integrate our joint capabilities to allow us to offer our customers services and solutions that are customised to fit their needs precisely.

Group management

EBIT after asset charge introduced as new performance metric

Capital Market, page 39

As part of our Roadmap to Value capital markets programme, we have introduced EBIT after asset charge (EAC) as our new performance metric from 1 January 2008. This metric is an additional guideline for managers at all levels and in all areas of activity, helping them to make decisions that focus their operating businesses on sustained value growth.

Unlike EBIT, the performance indicator so far, EAC takes into account the cost of tied-up capital. In other words, it reflects profit generated over and above the cost of capital. Managers' incentives have also been tied to the new indicator, which complements the previous EBIT-based bonus scheme.

The weighted average cost of capital (WACC) is defined as the weighted average net cost of interest-bearing liabilities and equity, taking into account sector-specific risk factors in a beta factor.

Weighted average cost of capital (WACC)

Equity cost of capital		**Debt cost of capital**	
Risk-free rate of return	4.2%	Risk-free rate of return	4.2%
+ Risk premium on equity	3.9%	+ Average risk premium on debt	1.2%
= Market risk premium 5.0% × Beta factor 0.78 (specific risk premium for the Group)			
=	**8.1%**	=	**5.4%**
+ Tax effect	1.8%		
=	9.9%		
Weighting at market rates	70%	Weighting at market rates	30%

Group cost of capital 8.5%

In addition to the cost of capital, the net asset base makes up the second component of the calculation. This is identified by including assets required for business operations and subtracting liabilities that do not incur a cost of capital. Goodwill is included in the net asset base, as value is created only if the required cost of capital is earned on the entire initial investment, which also includes goodwill.

The EAC is calculated in the "Postbank at equity" scenario, in which Postbank is treated as an investment accounted for using the equity method. In 2008, EAC stood at €–2,115 million, primarily because EBIT was depressed by non-recurring items of €–2,977 million.

EBIT after asset charge (EAC – Postbank at equity)

€m	2007 restated	2008	+/–%
EBIT	2,133	–567	–126.6
⊖ Asset charge	1,735	1,548	–10.8
⊖ EBIT after asset charge (EAC)	**398**	**–2,115**	–

Compared with the previous year, the asset charge fell by €187 million because we were able to significantly improve the net asset base. This was mainly due to two factors: real estate disposals and a sharp reduction in working capital, both of which are elements of our Roadmap to Value programme. The weighted average cost of capital was set at 8.5% at the beginning of 2008 and has remained unchanged since then.

Capital Market

Deutsche Post shares

Stock markets suffer heavy losses

2008 was a hard year for the international stock markets. The US subprime crisis, a faltering US economy and rising oil prices sent prices into steep decline right from the first half of the year. The stock markets were dominated by fears that the economic slowdown in the United States would spread to Asia and most of all to Europe. The DAX shed a fifth of its value in the first half-year alone. The situation worsened dramatically with the insolvency of the US investment bank Lehman Brothers in September. More major banks began to struggle from then on. Governments around the world found themselves forced to put together rescue packages, especially as the crisis began to affect other parts of the economy. The stock exchanges suffered heavily: Over the course of the year, the DAX lost 40.4% of its value, the Dow Jones 33.8% and the EURO STOXX 50 44.4%.

Key share data

		2004	2005	2006	2007	2008	+/–%
Year-end closing price	€	16.90	20.48	22.84	23.51	11.91	–49.3
High	€	19.80	21.23	23.75	25.65	24.18	–5.7
Low	€	14.92	16.48	18.55	19.95	7.18	–64.0
Number of shares	millions	1,112.8	1,193.9	1,204.0 [1]	1,208.2 [1]	1,209.0 [1]	0.1
Market capitalisation as at 31 December	€m	18,840	24,425	27,461	28,388	14,399	–49.3
Average trading volume per day	shares	2,412,703	3,757,876	5,287,529	6,907,270	7,738,509	12.0
Annual performance with dividend	%	6.4	24.1	14.9	6.9	–45.5	–
Annual performance excluding dividend	%	3.4	21.2	11.5	2.9	–49.3	–
Beta factor [2]		0.84	0.75	0.80	0.68	0.81	–
Earnings per share [3]	€	1.44	1.99	1.60	1.15	–1.40	–
Cash flow per share [4]	€	2.10	3.23	3.28	4.27	1.60	–62.5
Price/earnings ratio [5]		11.7	10.3	14.3	20.4	–8.5	–
Price/cash flow ratio [4, 6]		8.1	6.4	7.0	5.5	7.4	–
Dividend	€m	556	836	903	1,087	725 [7]	–33.3
Payout ratio	%	34.8	37.4	47.1	78.6	–	–
Dividend per share	€	0.50	0.70	0.75	0.90	0.60 [7]	–33.3
Dividend yield	%	3.0	3.4	3.3	3.8	5.0	–

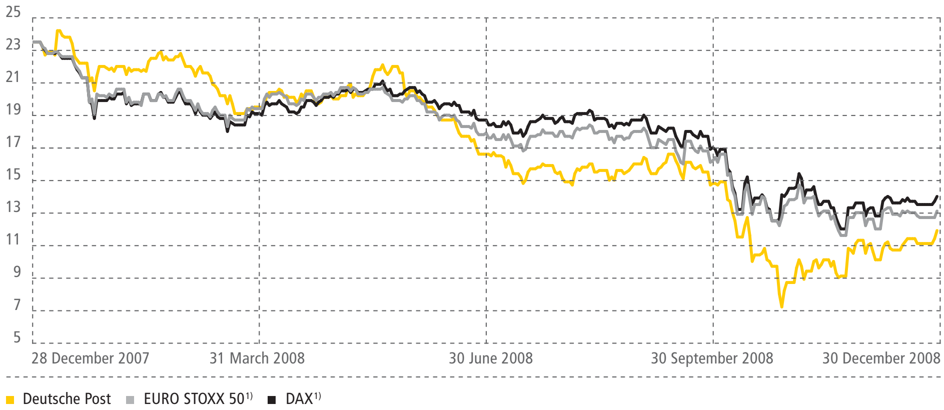
1) Increase due to exercise of stock options, Note 39. 2) From 2006: Beta 3 years. Source: Bloomberg. 3) Based on consolidated net profit excluding minorities, Note 22. 4) Cash flow from operating activities. 5) Year-end closing price/earnings per share. 6) Year-end closing price/cash flow per share. 7) Proposal.

Peer group comparison [1]

		2007	2008	+/–%
Deutsche Post	€	23.51	11.91	–49.3
TNT	€	28.25	13.76	–51.3
FedEx	US$	89.17	64.15	–28.1
UPS	US$	70.72	55.16	–22.0
Kuehne + Nagel	CHF	104.61	67.55	–35.4

1) Closing prices on last trading day.

Share price performance

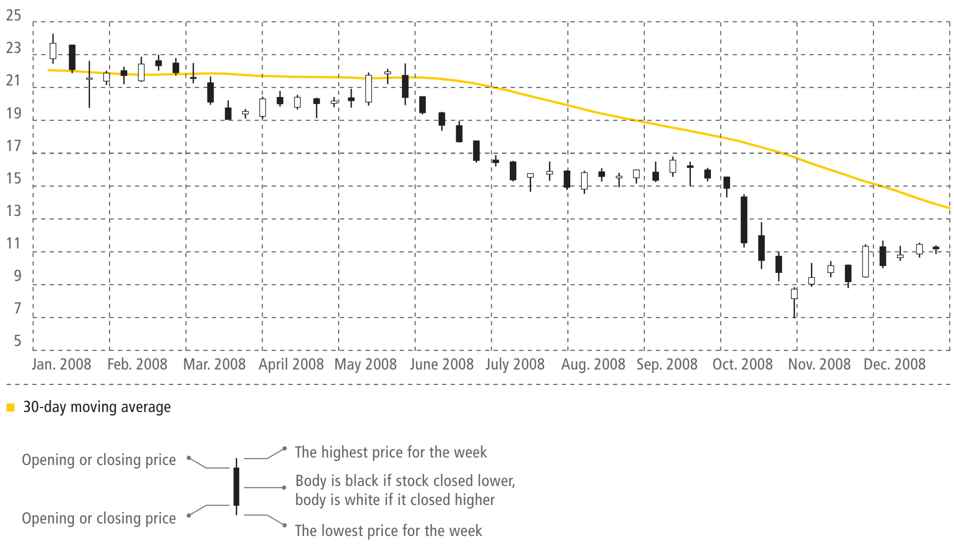


1) Rebased on the closing price of Deutsche Post shares on 28 December 2007.

Deutsche Post share price falls further than market

Our share price twice escaped the downtrend in the first half of the year: after publication of the preliminary results for 2007 on 23 January and after publication of the results for the first quarter of 2008 on 13 May. Following the announcement of the programme to realign our US express activities on 28 May, however, the share price fell continuously, as the candlestick graph shows. Indeed, our shares performed markedly worse over the rest of the year than the applicable indices and the share prices of our competitors. Deutsche Post shares closed the year at €11.91, a 49.3% drop in value. The average number of shares traded on Xetra was 7.7 million, representing a 12% increase on the previous year.

Candlestick graph/30-day moving average



Majority of analysts recommend buying

More than half of analysts – 63%, compared with 75% the year before – still advised investors to buy Deutsche Post shares, 23% to hold and 14% to sell. Their average price target was down from €26 to €14 per share.

Most institutional investors in the United States

Our ownership structure has scarcely changed from a year ago: KfW continues to hold 30.5%, leaving a 69.5% free float, the largest share of which (35%) is held in the USA. In response to this trend, our Investor Relations department has had an office in New York from the beginning of 2009.

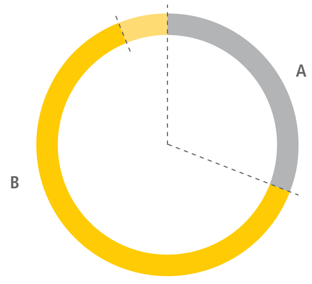
Recognition for investor relations work

Investors showed particular interest during the year under review in the situation in the US express business, the future of Postbank, the issue of minimum wages in the German postal sector and progress on the Roadmap to Value. Our investor relations team and management communicated intensively and successfully with investors and analysts at international conferences and in numerous one-on-one meetings. We took first place in the transport sector in the highly regarded Pan-European Survey published by Thomson Reuters Surveys. The jury voted both Frank Appel best CEO and John Allan best CFO in the sector.

Shareholder structure

As at 31 December 2008

A	30.5%	KfW Bankengruppe
		of which 4.6% KfW Uridashi bond[1]
B	69.5%	Free float
	63.0%	Institutional investors
	6.5%	Private investors



1) In 2005 KfW issued a convertible bond in Japan for private investors (volume: 55.6 million shares). Investors can convert this bond until January 2010.

Roadmap to Value

Capital markets programme taking effect

In November 2007, we initiated an extensive capital markets programme geared towards achieving a sustained increase in enterprise value. On the basis of organic growth, the Group aims to improve profitability, increase cash generation and give shareholders a larger stake in the resulting benefits. Investors and analysts are provided with extensive information so that they can reliably assess the Group's performance.

Progress on the Roadmap to Value

Goal	Outcome
1 Profitability	• Operational improvement initiatives achieve €0.5 billion. • Additional €1 billion cost reduction programme launched for 2009 and 2010. • Restructuring of US express activities decided and started.
2 Cash generation	• Real estate disposals amount to €1.35 billion versus €1 billion target. • Working capital increased. • New performance metric adopted: EBIT after asset charge. • Capital expenditure fell considerably below the prior-year level.
3 Payout to shareholders	• €0.90 per share dividend for 2007 proposed, approved and distributed.
4 Transparency	• SERVICES segment unbundled. • Cash flow and capital expenditure disclosed by division. • Volumes disclosed for express activities. • Postbank reported under "discontinued operations".
5 Organic growth	• DHL attaining strong growth in developing regions. • Healthy growth rates on business with customers served by Global Customer Solutions.

Earnings, Financial Position and Assets and Liabilities

Significant events

Group sells real estate portfolio to investor

On 1 April 2008, the Group sold a portfolio of around 1,300 properties located mainly in Germany to US investor Lone Star for €1 billion in cash. The contract took economic effect on 1 July 2008. The majority of the properties will be leased back.

European court awards Deutsche Post a repayment of €1 billion

On 1 July 2008 the European Court of First Instance annulled a 2002 decision by the European Commission that had ordered Deutsche Post to repay €907 million in purported state aid and interest. Therefore, on 1 August 2008 the German government repaid the sum of €1,067 million to Deutsche Post AG.

Deutsche Post agrees to sell shares in Postbank to Deutsche Bank

On 12 September 2008, Deutsche Post agreed to sell a minority shareholding in Postbank to Deutsche Bank for a total value of €4.8 billion. The transaction of the first tranche will be finalised in the first quarter of 2009. Deutsche Bank and Deutsche Post adjusted the structure of the sales agreement after the reporting date.

Report on post-balance sheet date events, page 93

Deutsche Post participates in Postbank capital increase

Deutsche Post, as the majority shareholder of Deutsche Postbank AG, has participated in full in Postbank's capital increase. On 27 October 2008, Deutsche Post stated its commitment to subscribe for the rights issue of 54.8 million shares at the subscription price in line with its stake in Postbank of 50% plus one share. Deutsche Post has also agreed to subscribe for all shares that are not taken up by the market at the subscription price. As a result of this measure, Deutsche Post's stake in Postbank increased to 62.35% for the time being.

Exit from US domestic express market

On 10 November 2008, the Group announced that it would withdraw from the domestic express business in the USA at the start of 2009. The international express offering in the US will be maintained at the current level. Total costs for restructuring the US express business now amount to around €3 billion, of which the majority were recorded in 2008.

Earnings

Changes in reporting

The current reporting format is the one that will apply to the Group in the future following the agreed sale of Postbank. The Pension Service has been reallocated from the FINANCIAL SERVICES Division to the MAIL Division, as they share a regulatory environment that is almost the same. The remaining segment consists only of Postbank and is thus reported under "discontinued operations". We report our other activities as "continuing operations".

With effect from 1 January 2008, we unbundled the SERVICES Division, allocated the costs of Global Business Services to the operating units and gave the MAIL Division responsibility for the retail outlets. We now report a more narrowly defined unit, Corporate Center / Other. In addition, we split up the LOGISTICS Division into the new GLOBAL FORWARDING / FREIGHT Division and the new SUPPLY CHAIN / CIS Division. The prior-year amounts have been restated accordingly. Details can be found in the Segment reporting disclosures.

Note 10

Portfolio expanded

In the reporting year, the main changes to our portfolio were as follows:

Note 3

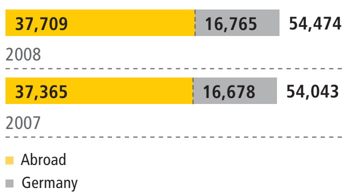
- FC (Flying Cargo) International Transportation Ltd., an Israeli company domiciled in Tel Aviv, was included for the first time in profit and loss. We purchased all shares in the company on 31 December 2007.
- In April 2008, we increased our 66% stake in Williams Lea to 96%. The Group had made an unconditional cash offer to acquire the outstanding shares held by Williams Lea's minority shareholders.
- In April 2008, we acquired the remaining 50% of the shares in the Exel-Sinotrans Freight Forwarding Co., Ltd. joint venture. The company was renamed DHL Logistics (China) Co., Ltd. and has been fully consolidated.
- Express Couriers Australia Pty Ltd., a joint venture with New Zealand Post that was established at the beginning of the year, commenced operations in the third quarter, primarily by acquiring business units from New Zealand Post. The company has been proportionately consolidated.
- At the end of October, we entered into a charter agreement for block space with Polar Air Cargo Worldwide, Inc., a US company. The agreement guarantees us access to six cargo aircraft. Due to this contractual regulation, Polar Air Cargo has been fully consolidated.

Consolidated revenue from continuing operations increased

Consolidated revenue from continuing operations increased by 0.8% to €54,474 million in financial year 2008 (previous year: €54,043 million). However, this figure was reduced by negative currency effects of €2,168 million. As a globally operating logistics group, we generated, with 69.2%, the majority of our revenue outside of Germany, an increase of 0.1% over the previous year.

Consolidated revenue for continuing operations

€m



Increased income and expenses

Non-recurring items impacted profit or loss from continuing operations in both the reporting year and the prior year. In the year under review, the repayment awarded in the state aid proceedings in the amount of €572 million had a positive impact on earnings. However, the announced withdrawal from the domestic US express business has already reduced earnings by €2,117 million. An impairment test led to a loss totalling €610 million on the goodwill of SUPPLY CHAIN/CIS. In addition, we discontinued use of the Exel brand, which was written off in full in the amount of €382 million. Non-recurring expenses of €440 million were also incurred for restructuring activities in other divisions. In 2007, the sale of Vfw AG generated non-recurring income of €59 million. Earnings for 2007 were reduced by €594 million due to the impairment loss on the assets of the express business in the Americas region.

Note 12

Other operating income increased from €2,343 million to €2,736 million, primarily due to the repayment received in the state aid proceedings.

Note 13

The drastic rise in oil prices in the first half of the year made transport and aircraft fuel more expensive. This was a significant factor in the increase in our materials expense from €30,703 to €31,979.

Note 14

Staff costs increased by 4.8% to €17,990 million, due largely to restructuring activities.

Note 15

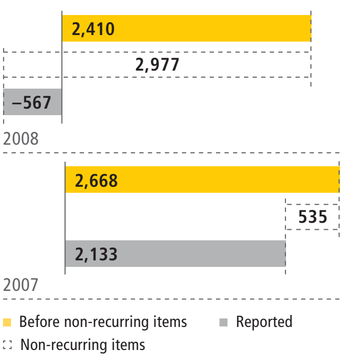
Depreciation, amortisation and impairment losses increased by €466 million to €2,662 million, up from €2,196 million in the prior year. The year under review was impacted above all by the write-down on goodwill and the Exel brand. In 2007, negative effects were mainly due to the impairment losses on non-current assets of the express business in the Americas region.

Note 16

The increase in other operating expenses of €961 million to €5,146 million was primarily the result of the aforementioned restructuring activities.

Consolidated EBIT for continuing operations

€m



Non-recurring charges reduce EBIT from continuing operations

Profit or loss from operating activities (EBIT) from continuing operations fell by €2,700 million from the previous year's figure of €2,133 million to €–567 million. In the reporting period, EBIT from continuing operations contained income of €572 million from the state aid proceedings, restructuring costs of €2,557 million and impairment losses of €992 million. The prior-year figure included non-recurring income of €59 million from the sale of Vfw AG and an impairment loss of €594 million on the express business in the Americas region. Adjusted for these items, EBIT fell by 9.7% to €2,410 million.

Net finance costs improved by €446 million to €499 million (previous year: €945 million). This was due in particular to the interest component of the repayment we received from the state aid proceedings.

Note 19

Profit or loss before income taxes from continuing operations declined by 189.7% to €– 1,066 million. However, income tax increased from €173 million to €200 million. Profit or loss from continuing operations thus amounted to €–1,266 million, a decline of 224.7% on the previous year.

Profit or loss from discontinued operations drops due to financial market crisis

Discontinued operations generated a net loss of €713 million, down 183.1% on the prior-year figure of a net profit of €858 million. Adjusted for tax income of €150 million, net finance costs of €73 million and income from the reversal of negative goodwill arising from the increase in our share in Postbank in the amount of €81 million, EBIT from discontinued operations came to €–871 million. The decline is largely the result of one-time factors arising from the intensifying international financial market crisis, as described in the Notes.

Note 21

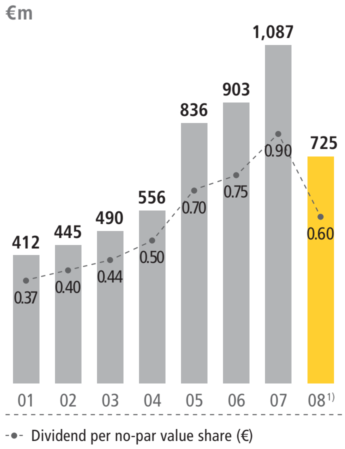
Consolidated net profit declines significantly

Combining profit or loss from continuing and discontinued operations results in a consolidated net loss of €1,979 million, or €3,852 million less than in 2007. Of this figure, €–1,688 million is attributable to Deutsche Post shareholders – a decrease of €3,071 million – whilst minority interests fell from €490 million to €–291 million. This significant decline was primarily the result of Deutsche Post's share in Postbank losses. Basic and diluted earnings per share fell from €1.15 to €–1.40. Earnings per share from continuing operations fell from €0.79 in the prior year to €–1.10, and earnings per share from discontinued operations dropped from €0.36 to €–0.30.

Dividend of €0.60 per share proposed

A proposal will be made for the payment of a dividend per share of €0.60 (previous year: €0.90) at the Annual General Meeting on 21 April 2009. The total dividend will amount to €725 million. Based on the year-end closing price of Deutsche Post shares, the net dividend yield is 5.0%. The dividend will be distributed on 22 April 2009 and is tax-free for shareholders resident in Germany.

Total dividend and dividend per no-par value share



1) Proposal.

Financial position

Principles and aims of financial management

The Group's financial management activities include cash and liquidity management; interest rate, currency and commodity price risk management; overseeing the Group's financing; issuing guarantees and letters of support and liaising with the rating agencies. Since the requirements and processes of the Deutsche Postbank Group differ fundamentally from those of the remainder of the Group, the remarks below refer exclusively to an analysis in which Postbank is presented on an equity-accounted basis; in other words, cash flows are shown without the Deutsche Postbank Group.

First and foremost, we seek to control risk and to manage processes centrally. Responsibility rests with Corporate Finance, which is supported by three Regional Treasury Centres in Bonn (Germany), Fort Lauderdale (USA) and Singapore. These centres act as interfaces between headquarters and the operating companies, advise the companies on all financial management issues, and ensure compliance with the Group-wide guidelines. These guidelines and processes comply with the *Gesetz zur Kontrolle und Transparenz im Unternehmensbereich* (KonTraG – German law on control and transparency in business) of 27 April 1998.

Our principal goal is to minimise financial risks and the cost of capital, whilst safeguarding the Group's lasting financial stability and flexibility. In order to maintain its unrestricted access to the capital markets, the Group continues to seek a credit rating appropriate to the sector. We therefore monitor the development of our operating cash flows against adjusted debt particularly closely. Adjusted debt refers to the Group's net debt, allowing for pension obligations that are not directly capital-backed and liabilities under operating leases.

Central cash and liquidity management

Cash and liquidity management is a central activity overseen by the Corporate Treasury on behalf of our subsidiaries, whose operations span the globe. More than 80% of the Group's external revenue is consolidated in cash pools and used to balance internal liquidity needs. In countries where this practice is ruled out for legal reasons, internal and external borrowing and investment are arranged centrally by Corporate Treasury. In this context, we observe a balanced banking policy in order to avoid depending excessively on individual banks. Our subsidiaries' intragroup revenue is also pooled and managed by the in-house bank with a view to avoiding external bank charges and margins (inter-company clearing). Payment transactions are made in accordance with uniform guidelines as well as by way of standardised processes and IT systems.

The Group's unsecured committed credit lines total around €3.1 billion, of which €449 million had been used as at 31 December 2008. Our banking policy seeks to spread the volume of transactions widely and to foster long-term business relationships with financial institutions. Alongside the customary equal treatment clauses and termination rights, the relevant loan agreements do not contain any further undertakings concerning the Group's financial indicators. Average drawings on credit lines came to only around 17% in 2008 (previous year: 4.4%).

Managing market price risks

The Group manages financial market risk by making use of both primary and derivative financial instruments. Interest rate risks are managed exclusively via interest rate swaps. Currency risks are hedged using forward transactions, cross-currency swaps and options. However, we pass on most of the risk arising from commodity fluctuations to our customers through operating measures. The parameters, responsibilities and controls governing the use of derivatives are established in internal guidelines.

Flexible and stable Group financing

The Group covers its financing requirements by maintaining a balanced ratio of equity to liabilities. This ensures our financial stability whilst providing adequate flexibility. Our most important source of funds is net cash from operating activities. We cover our borrowing requirements via a number of independent financing sources, including confirmed bilateral credit lines, bonds and structured financing transactions, and operating leases. Most of the borrowings are taken out centrally in order to leverage economies of scale and specialisation benefits and to minimise the cost of capital.

The Group's primary currency in which debt is denominated is the euro. A portion of the euro debt, however, is translated into foreign currencies by way of derivative financial instruments in order to cover our operating companies' liquidity requirements. When such transactions are taken into account, the portion of the Group's net debt denominated in euros was 55% (previous year: 51%), and the US dollar share was 40% (previous year: 18%). The larger share in US dollars is a result of the increased financial requirements of our American subsidiaries.

Guarantees and letters of support

Deutsche Post AG provides collateral as necessary by issuing letters of support or guarantees for the loan agreements, leases and supplier contracts entered into by Group companies. This practice allows better conditions to be negotiated locally. Such collateral is provided and monitored centrally.

Creditworthiness of the Group

Credit ratings represent an independent and current assessment of a company's credit standing. The ratings are based on a quantitative analysis and measurement of financial reports and the underlying planning data. Qualitative factors, such as industry-specific features and the company's market position and range of products and services, are also taken into account. The creditworthiness of our Group is reviewed on an ongoing basis by international rating agencies Standard & Poor's and Moody's Investors Service. We believe that it is sufficient to receive ratings from two independent ratings agencies. We thus decided, for reasons of economy, to terminate the agreement with the third agency (Fitch Ratings) as at 31 December 2008.

Ratings

	Moody's Investors Service	Standard & Poor's
Long-term	A3	BBB+
Outlook	Negative	Negative
Short-term	P–2	A–2
Date of most recent review	25 November 2008	11 November 2008

Standard & Poor's has issued a long-term credit rating of BBB+ together with a negative outlook. This places us at the upper end of category BBB, which is the ranking for companies whose capacity to meet their financial commitments is considered adequate. The outlook is an assessment of the direction the rating is likely to take in the medium term. Our short-term credit rating according to Standard & Poor's is a solid A–2.

Moody's ranks our long-term creditworthiness as A3, which is in the lower range of category A. The current outlook is negative. The agency gives us the second highest possible short-term credit rating, namely P–2.

Detailed analyses by the rating agencies and full information on the rating categories are contained on our website.

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Liquidity and sources of funds

As of the balance sheet date, the Group (excluding Postbank) had cash and cash equivalents in the amount of €1,350 million (previous year: €1,339 million) at its disposal. A large portion of this is accounted for by subsidiaries in countries where foreign exchange transactions are unrestricted. In 2008, the main sources of non-recurring cash inflows related to the sale of real estate to US investor Lone Star (€942 million) and the repayment received in the state aid proceedings (€1,067 million). These cash inflows were offset by non-recurring cash outflows of €1 billion for our participation in the capital increase at Deutsche Postbank AG.

The financial liabilities reported in our balance sheet break down as follows:

Financial liabilities (Postbank at equity)

€m	2008
Bonds	2,019
Due to banks	1,080
Finance lease liabilities	531
Liabilities to Group companies	184
Other financial liabilities	283
	4,097

The largest single items under financial liabilities are the two listed bonds of Deutsche Post Finance B.V. Also of significance are the two municipal bonds taken out to fund investments at the airports in Wilmington, Delaware, and Cincinnati, Ohio, in the US, project financing received from the European Investment Bank for mail sorting centres in Germany and an IT centre in the Czech Republic. Further information on the reported financial liabilities is contained in the Notes.

Note 46

In addition to borrowings, operating leases are an important source of funding for the Group. We use operating leases to finance real estate as well as aircraft, vehicle fleets and IT equipment, as shown in the following table:

Operating lease obligations by asset class (Postbank at equity)

€m	2008
Land and buildings	6,313
Technical equipment and machinery	68
Other equipment, office and operating equipment	560
Aircraft	194
	7,135

The main driver for the increase in operating lease obligations in 2008 was the sale and leaseback agreements entered into for portions of the real estate portfolio sold to Lone Star. The sale was part of our Roadmap to Value capital markets programme aimed at cash generation, amongst other things.

One major funding initiative in 2008 was the commercial paper programme we launched in January, which provided us with short-term financing and supplemented our bilateral credit lines. The average drawdown on the facility was around €160 million in the year under review.

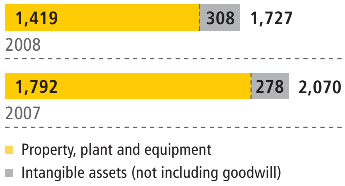
Capital expenditure fell considerably below the prior-year level

The Group's capital expenditure (capex) amounted to €1,727 million at the end of December 2008 (previous year: €2,070 million). Of this figure, €1,419 million was attributable to investments in property, plant and equipment and €308 million to intangible assets excluding goodwill. We fell significantly below the prior-year level with a decline of 16.6 %. The decrease was most evident in the fourth quarter (–39.8 %). Investments in property, plant and equipment related mainly to advanced payments and assets under development (€445 million), transport equipment (€255 million), technical equipment and machinery (€231 million), IT equipment (€148 million) and other operating and office equipment (€107 million).

Our regional investments focused mainly on Europe, the Americas and Asia. In Europe, our investment activities were centred in Germany, the UK and Belgium. In Asia, the focus was on India, Singapore and South Korea.

Capital expenditure of continuing operations

€m



Capex and depreciation, full year

€m	MAIL		EXPRESS		FORWARDING/ FREIGHT		SUPPLY CHAIN/ CIS		Corporate Center/ Other		Continuing operations		Discontinued operations	
	2007	2008	2007	2008	2007	2008	2007	2008[1]	2007	2008	2007	2008	2007	2008
Capex	325	282	721	727	69	94	496	390	459	234	2,070	1,727	140	71
Depreciation on assets	447	346	1,034	542	98	105	363	1,345	254	324	2,196	2,662	161	179
Capex vs. depreciation ratio	0.73	0.82	0.70	1.34	0.70	0.90	1.37	0.29	1.81	0.72	0.94	0.65	0.87	0.40

1) Depreciation including write-down on goodwill and the Exel brand.

Capex and depreciation, Q4

€m	MAIL		EXPRESS		FORWARDING/ FREIGHT		SUPPLY CHAIN/ CIS		Corporate Center/ Other		Continuing operations		Discontinued operations	
	2007	2008	2007	2008	2007	2008	2007	2008[1]	2007	2008	2007	2008	2007	2008
Capex	129	113	236	195	22	29	168	104	301	74	856	515	76	11
Depreciation on assets	124	93	705	208	25	30	88	1,101	67	130	1,009	1,562	46	80
Capex vs. depreciation ratio	1.04	1.22	0.33	0.94	0.88	0.97	1.91	0.09	4.49	0.57	0.85	0.33	1.65	0.14

1) Depreciation including write-down on goodwill and the Exel brand.

MAIL invests in quality

Capital expenditure in the MAIL Division decreased from €325 million to €282 million. These investments related in particular to internally generated intangible assets (€106 million), other operating and office equipment (€61 million), IT equipment (€40 million) and technical equipment and machinery (€39 million).

In the domestic mail business, most of our purchases were of machinery and equipment for processing standard and compact letters and flat mail more efficiently. We also replaced internally generated software and licences as well as transport equipment.

In the domestic parcel business, technical equipment and IT were upgraded and the number of Packstations was increased by 500 to around 1,400 Packstations. This allows customers to post and collect parcels around the clock. We have also established a new type of automatic station, Post24/7, at 55 locations in Berlin and Bonn. Post24/7 stations offer a wide range of features such as Packstations, Paketboxes, mailboxes, stamp vending machines and, in some cases, cash dispensers and bank account statement printers.

The retail outlet network of Deutsche Post has been reorganised. In the retail outlets themselves, the IT systems have been upgraded and expanded.

In the international mail business we are continuing to work on a uniform software platform.

EXPRESS expands global network

In the EXPRESS Division, capital expenditure increased slightly from €721 million to €727 million and was mainly allocated to advanced payments and property, plant and equipment under development (€268 million), technical equipment and machinery (€103 million), aircraft (€94 million), transport equipment (€55 million), leasehold improvements (€48 million), IT equipment (€45 million) and other operating and office equipment (€21 million). Investments in intangible assets related mainly to advanced payments and intangible assets under development (€31 million) as well as purchased software (€30 million). The expenditures again focused on our worldwide network of aircraft, and on establishing and expanding hubs in Europe and Asia.

In Europe, the new hub was completed at Leipzig/Halle Airport and the vehicle fleet was modernised, especially in the Benelux countries.

In the Asia Pacific region, we expanded our hubs in China, South Korea and Singapore.

In the EEMEA region, investments centred on the growth markets of Russia and the Middle East, whilst in the International Americas region the focus was on Canada and Mexico.

Modern infrastructure for the forwarding and freight business

In the GLOBAL FORWARDING/FREIGHT Division, capital expenditure totalled €94 million (previous year: €69 million), of which €54 million related to the Global Forwarding Business Unit. A total of €12 million of this figure was allocated to IT equipment, €8 million to leasehold improvements, €7 million to advanced payments and property, plant and equipment under development, and €7 million to other operating and office equipment. The investments focused on building facilities and the IT infrastructure.

Funds of €40 million were invested in the Freight Business Unit, particularly for the replacement of vehicles in the UK, Benelux, Italy and Germany and the expansion of terminals.

Increased capacity for contract logistics

In the SUPPLY CHAIN/CIS Division, capital expenditure decreased by 21.4% to €390 million, of which €340 million was attributable to the Supply Chain Business Unit. We used the available funds to invest in new and more efficient technologies and to expand warehousing facilities.

In the United Kingdom, for instance, substantial funds were invested in transport equipment, warehouses and the associated technology, as well as in providing solutions for new and existing customers.

In continental Europe, we primarily expanded warehousing capacity to support new business.

In the Americas region, funds were allocated mainly to new business and building maintenance.

The Corporate Information Solutions Business Unit purchased modern printing technology for €37 million.

Sharp decline in cross-divisional investments

Cross-divisional investments fell from €459 million to €234 million and concentrated mainly on vehicle purchases and IT. The prior-year figure includes the reversal of a purchase agreement concluded with Viterra Logistik Immobilien GmbH & Co. KG. The relevant properties were brought into Deutsche Post Immobilienentwicklung Grundstücksgesellschaft mbH & Co. Logistikzentren KG in December 2007. Deutsche Post Fleet GmbH invested €160 million in new and replacement vehicles. A total of €41 million was allocated to IT, particularly for improving the IT infrastructure, security systems and software licences.

Significant improvement in free cash flow

Net cash from operating activities (Postbank at equity) increased significantly by €554 million year-on-year to €3,362 million. Net cash before changes in working capital was slightly below the prior-year level at €120 million. The decrease in EBIT was negatively affected in particular by increased non-cash additions to provisions. EBIT was also reduced, amongst other things, by non-cash write-downs on goodwill and intangible assets, which were added back in the depreciation/amortisation of non-current assets item. EBIT was strengthened amongst other things by the €572 million repayment from the state aid proceedings which impacted cash flow. The reduction in working capital was a key factor in the increase in net cash from operating activities. In particular, the reduction in receivables and other assets contributed to the improvement.

Selected cash flow indicators (Postbank at equity)

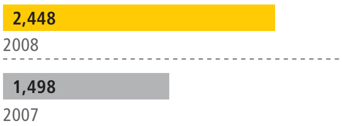
€m

	2007	2008
Cash and cash equivalents as at 31 December	1,339	1,350
Change in cash and cash equivalents	−422	11
Net cash from operating activities	2,808	3,362
Net cash used in investing activities	1,310	914
Net cash used in financing activities	1,901	2,386

At €914 million, net cash used in investing activities was €396 million less than in the previous year. Cash was used above all for the capital increase at Postbank, to acquire Flying Cargo Ltd. and for the joint venture with New Zealand Post. We also increased our interests in Exel-Sinotrans Freight Forwarding and Williams Lea. Proceeds from the disposal of non-current assets stemmed primarily from real estate disposals. In addition, interest on the repayment awarded in the state aid proceedings led to a cash inflow of €495 million.

Free cash flow

€m



The increase in net cash from operating activities and the decrease in net cash used in investing activities resulted in a significant improvement in free cash flow, which increased by €950 million to €2,448 million (previous year: €1,498 million).

Net cash used in financing activities amounted to €2,386 million (previous year: €1,901 million). At €1,087 million, the higher dividend paid to our shareholders for financial year 2007 accounted for the largest share. In addition, the repayment of financial liabilities led to a cash outflow of €658 million.

Due to the changes described in the cash flows from the individual activities, cash and cash equivalents increased slightly compared with the previous year, from €1,339 million to €1,350 million.

Assets and liabilities

Consolidated balance sheet changed fundamentally

The structure of the consolidated balance sheet changed fundamentally as at 31 December 2008 due to the announced sale of Postbank. All assets and liabilities associated with this segment have been reclassified as assets held for sale and liabilities associated with assets held for sale. In contrast, this did not affect the balance sheet as at 31 December 2007.

Total assets increased by €27,544 million to €262,964 million, particularly as a result of Postbank's successful sales activities, which are reflected in the aforementioned items.

Non-current assets declined from €25,764 million to €20,517 million, primarily because Postbank's non-current assets were reclassified and intangible assets were reduced by impairment losses in the SUPPLY CHAIN/CIS Division. Furthermore, the sale of real estate to Lone Star, which was completed as at 1 July 2008, reduced property, plant and equipment by €842 million. This is also the main reason for the decrease in investment property from €187 million to €32 million. At €1,033 million, deferred tax assets were at the prior-year level (€1,040 million).

The 15.6% rise in current assets to €242,447 million is likewise due primarily to the reclassification of Postbank's assets. Receivables and other assets decreased by €1,091 million to €8,715 million, mainly because we improved receivables management. Cash and cash equivalents declined by €3,333 million, principally due to a fall in Postbank's cash reserve.

Equity attributable to Deutsche Post AG shareholders decreased from €11,035 million to €7,826 million. The capital base declined due to the dividend payment for financial year 2007 (€1,087 million), the adjusted revaluation reserve (€41 million), currency translation losses (€500 million) and the consolidated net loss (€1,688 million).

The €32,945 million rise in current and non-current liabilities to €242,276 million is primarily attributable to Postbank, which further expanded its operations. This served to increase liabilities associated with assets held for sale. Moreover, this item contains the reclassified provisions from discontinued operations. Current and non-current provisions declined accordingly, whereas in particular the restructuring measures led to an increase. All in all, this item decreased from €12,276 million to €10,836 million. Financial liabilities were reduced considerably by €6,084 million to €4,097 million. €5,474 million of this reduction relates to Postbank's reclassified subordinated debt. In addition, loan obligations were repaid and the financial liabilities to Williams Lea minority shareholders were reduced. Other current and non-current liabilities declined from €5,462 million to €5,112 million.

Indicators for the "Postbank at equity" scenario

When calculating the "Postbank at equity" balance sheet indicators, Postbank is treated as an investment accounted for using the equity method.

Net debt comprises financial liabilities less cash and cash equivalents, current financial instruments, long-term deposits and financial liabilities to minority shareholders of Williams Lea. Since financial liabilities decreased whilst cash and cash equivalents were nearly unchanged, net debt declined from €2,858 million as at 31 December 2007 to €2,412 million.

Net gearing – the ratio of net debt to the sum of equity and net debt combined – increased from 20.4% to 23.3%.

Net debt calculation (Postbank at equity)

Non-current financial liabilities
⊕ Current financial liabilities
⊖ Financial liabilities
⊖ Cash and cash equivalents
⊖ Financial instruments
⊖ Long-term deposits (listed on the balance sheet under assets available for sale)
⊖ Financial liabilities to Williams Lea minority shareholders
⊖ **Net debt (Postbank at equity)**

Selected indicators for net assets (Postbank at equity)

		2007	2008
Equity ratio	%	31.4	23.8
Ratio of equity to non-current assets	%	46.9	36.6
Net debt	€m	2,858	2,412
Net gearing	%	20.4	23.3
Net interest cover		7.1	4.2
Dynamic gearing ratio	years	1.0	0.7

Net interest cover is calculated by dividing EBIT by net interest paid/received and shows the ratio of EBIT to net interest obligations. It declined from 7.1 to 4.2.

The dynamic gearing ratio is an indicator of internal financing capacity and expresses the average number of years required to pay outstanding debt using the whole of the cash flow generated in the year under review. As net debt has dropped and operating cash flow has increased, the dynamic gearing ratio has further improved from an average of 1.0 to 0.7 years.

Divisions

Overview

EBIT and revenue by operating division

€m	2007 restated	2008	+/–%	Q4 2007	Q4 2008	+/–%
MAIL						
Profit from operating activities (EBIT)	1,976	2,253	14.0	706	491	–30.5
Revenue	14,569	14,393	–1.2	4,075	3,895	–4.4
of which Mail Communication	6,096	6,031	–1.1	1,620	1,600	–1.2
Dialogue Marketing	2,914	2,856	–2.0	824	781	–5.2
Press Services	822	826	0.5	216	214	–0.9
Parcel Germany	2,558	2,583	1.0	748	763	2.0
Global Mail	2,102	1,997	–5.0	653	510	–21.9
Retail Outlets	836	815	–2.5	213	229	7.5
Pension Service	85	89	4.7	19	21	10.5
Consolidation/Other	–844	–804	4.7	–218	–223	–2.3
Return on sales 1)	13.6	15.7	–	17.3	12.6	–
EXPRESS						
Loss from operating activities (EBIT)	–272	–2,144	–	–437	–2,194	–
Revenue	13,874	13,637	–1.7	3,757	3,282	–12.6
of which Europe	6,667	6,631	–0.5	1,902	1,633	–14.1
Americas	4,165	3,559	–14.5	1,036	712	–31.3
Asia Pacific	2,576	2,746	6.6	681	723	6.2
EEMEA (Eastern Europe, Middle East, Africa)	1,021	1,176	15.2	276	310	12.3
Consolidation/Other	–555	–475	14.4	–138	–96	30.4
Return on sales 1)	–	–	–	–	–	–
GLOBAL FORWARDING/FREIGHT 2)						
Profit from operating activities (EBIT)	409	389	–4.9	156	79	–49.4
Revenue	12,959	14,179	9.4	3,440	3,611	5.0
of which Global Forwarding	9,410	10,585	12.5	2,522	2,744	8.8
Freight	3,646	3,710	1.8	947	899	–5.1
Consolidation/Other	–97	–116	–19.6	–29	–32	–10.3
Return on sales 1)	3.2	2.7	–	4.5	2.2	–
SUPPLY CHAIN/CIS 2)						
Profit/loss from operating activities (EBIT)	577	–675	–	190	–1,012	–
Revenue	14,317	13,718	–4.2	3,703	3,535	–4.5
of which Supply Chain	13,099	12,469	–4.8	3,382	3,209	–5.1
Corporate Information Solutions	1,214	1,243	2.4	312	332	6.4
Consolidation/Other	4	6	50.0	4	–2	–
Return on sales 1)	4.0	–	–	5.1	–	–

1) EBIT/revenue.
2) The LOGISTICS Division was split into the new GLOBAL FORWARDING/FREIGHT and SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS divisions. The prior-year figures were restated accordingly.

MAIL

Business units and market positions

We deliver Germany's mail

Every single working day, we deliver around 70 million letters. This makes us Europe's largest postal enterprise. We offer all types of products and services to both private and business customers, ranging from standard letters to merchandise and including special services such as cash on delivery (COD) and registered mail. Letters can be franked using traditional stamps, by purchasing postage online and now even via text message. Stamps remain popular collectors' items and more than one million stamp collectors have our new stamp designs delivered to them postage-paid every month. We also sell German collectors' coins under a contract with the German government. Alongside our standard products, we develop tailor-made mail solutions for our business customers. We digitalise their incoming mail, for example, and deliver it to the internal recipients electronically.

Traditionally, our mail business has focused on Germany. Since being fully liberalised at the start of 2008, however, the German letter mail market has faced heightened competition. Moreover, the domestic market for mail communication is shrinking as conventional mail is being replaced increasingly by electronic communication media. In the reporting year, the market decreased by 2% to around €6.5 billion (previous year: €6.6 billion). We succeeded in increasing our market share to 87.7% (previous year: 87.2%) thanks to our high quality and flexible prices.

Advertising with Deutsche Post avoids wastage

Companies wishing to target specific customers make use of traditional dialogue marketing tools. We provide technical solutions that not only allow customers to plan and create advertising mail easily but also to calculate and optimise postage. One key factor in the success of direct advertising is the availability of address lists that have been checked, purged and updated. We offer online tools and services that can be used to ensure the quality of addresses. In addition, we develop solutions for multi-channel customer dialogue. Our services range from consulting and concept development all the way to media planning and purchasing as well as the production and dispatch of advertising material. We thus combine dialogue marketing with conventional advertising. We also conduct market research to measure the impact of such advertising.

Dialogue marketing is the part of the advertising market that is relevant to us. The market for advertising mailings and telephone and e-mail marketing is currently being shaped by the trend amongst companies in Germany to limit advertising expenditures. In 2008, this market had a volume of €20.4 billion, a decrease of 2.1% year on year. The tense economic situation has put pressure on traditional mail-order companies, causing them to lower their advertising budgets. We have maintained our share of 13.4% in this highly fragmented market.

Business units and products

Mail Communication
- Mail products
- Special services
- Franking
- Philately

Dialogue Marketing
- Advertising mail
- Tailored end-to-end solutions
- Special services

Press Services
- Distribution of newspapers and magazines
- Special services

Parcel Germany
- Parcel products
- Special services
- Packstations

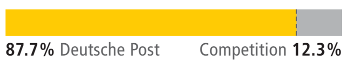
Global Mail
- Import and export of mail
- Cross-border mail
- Domestic mail services in other countries
- Special services

Retail Outlets
- Deutsche Post retail outlets
- Partner outlets
- Postservice outlets

Pension Service
- Data administration
- Payments

Market share in mail communications in Germany, 2008

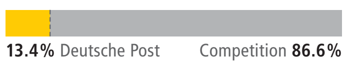
Market volume: 9.3 billion items



Source: company estimates.

Market share in dialogue marketing, 2008

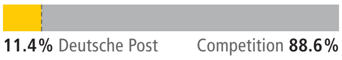
Market volume: €20.4 billion



Source: company estimates.

Market share in press service, 2008

Market volume: 17.8 billion items



Source: company estimates.

Daily newspaper subscriptions

We deliver newspapers and magazines nationwide on the day specified by the customer. Our Press Services Business Unit offers two products. Publishers traditionally mail their subscribed publications as “preferred periodicals”, whereas companies that distribute customer or employee magazines via Deutsche Post usually send these items as “standard periodicals”. As an additional service, we offer electronic address updating as well as complaint and quality management.

According to studies, the market for press services had a total volume of 17.8 billion items in 2008 or 0.6% fewer items than in the previous year. Our competitors in this market are the companies that deliver regional daily newspapers. Although both the number of pages and the weight of newspapers and magazines have decreased because of diminishing advertising content, we nonetheless succeeded in achieving higher average prices for these items on the market. We maintained our market share of 11.4%.

Market volume in parcels, 2008

Market volume: approx. €6.5 billion

Source: company estimates.

E-commerce responsible for growing parcel market

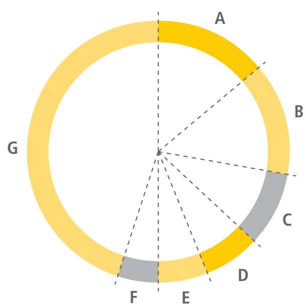
We deliver around 2.5 million parcels within Germany every day. An important part of this process is making customer access to our services as simple as possible. Our private customers are able to send and collect parcels and small packets around the clock from practically everywhere thanks to our around 14,000 retail outlets, 1,400 Packstations and 1,000 Paketboxes. They can even take care of the related steps online, such as purchasing packaging materials, buying postage and printing labels for parcels, placing parcel collection orders and tracking items. For business customers, we develop customised solutions for their particular sector. We support mail-order companies, for instance, by transporting their merchandise to consumers and provide solutions for facilitating returns. Business customers can register online and start sending and tracking parcels immediately.

In 2008, the market volume of the parcel business totalled around €6.5 billion, which represents a year-on-year rise of 3%. Several very capable providers compete for shares in this highly contested sector, including DPD, Hermes, UPS and GLS. Business is benefiting from the rising popularity of e-commerce, whilst sales in the traditional mail-order segment are declining. In the year under review, we stabilised our share at around 38%.

Cross-border mail market, 2007

Market volume: €10.4 billion[1)]

A	14%	DHL
B	14%	USPS
C	9%	Royal Mail
D	7%	La Poste
E	6%	SPI
F	5%	TNT/Spring
G	45%	Other



Source: company estimates, UPU statistics 2008, annual reports from USPS, Royal Mail, La Poste, SPI and TNT, other calculations and estimates.

Active in foreign markets

We deliver mail across borders, serve the domestic markets of countries outside of Germany and also provide special services beyond mail transport. We serve business customers in key domestic mail markets, including the USA, the Netherlands, the UK, Spain and France.

In 2008, the global market for cross-border mail had a volume of around €10 billion – nearly the same as in the previous year. Business in 2008 was shaped by the economic crisis in the United States and a tough competitive environment. We lost market share due to our decision to focus strictly on earnings and therefore to cut ties with unprofitable customers. We expect a total market share of a good 13% for 2008.

Strategy and goals

Our goal is to continue operating highly profitably in order to compensate for the threat of a diminishing market share. To accomplish this, we plan to systematically expand our range of services, secure quality leadership, reinforce our position abroad and, where possible, make our transport and delivery network prices and costs more flexible.

Extending our range of services

Deutsche Post has immensely expanded its services in recent years. We now provide our customers with services at every link in the mail value chain and offer solutions for electronic communication. We have pulled ahead of the competition by speeding up the development of innovative products. One of the key areas we are focusing on is making our services more user-friendly and easily accessible. Private customers can now design their own envelopes and stamps online and pay for the postage by text message.

We operate the largest network of fixed-location retail outlets in Germany, consisting of some 14,000 outlets. This is around one-sixth more locations than required by legislators. We are also expanding our successful co-operation with retailers. This allows us to offer our customers more convenient access to our services along with longer opening hours. In addition, by 2010 we will have expanded our network of around 1,400 Packstations to a total of 2,400 machines.

Assuring high quality

We survey our customers regularly to determine their level of satisfaction with the scope and quality of our services. Current studies conducted by MRSC and *Deutsches Institut für Servicequalität* (the German institute for service quality) confirm that for the second year in succession customers in all segments – private customers, small and large businesses as well as key accounts – are even more satisfied than the year before.

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Engaging in foreign markets

In most EU countries, mail monopolies will end in 2011, with some not ending until 2013. The policy agreed on by the European Council is intended to prevent member states from using universal service obligations to create market entry barriers for competitors. We will be following the developments in mail markets abroad very closely and reviewing any market entry opportunities.

Making prices and costs more flexible

The *Bundesnetzagentur* (German federal network agency) continues to regulate our mail prices. Although we will keep postage prices stable within Germany, we will be simplifying price structures for mail to other countries. Modelled on our domestic portfolio, in the future we plan to offer an international flat-mail product of up to 500g.

Risks, page 87

In recent years we have made our transport network costs more flexible in order to respond rapidly to volume changes. For example, we can decrease the number of night-time mail cargo flights and reduce outsourced operations such as transport by lorry at any time. State-of-the-art IT systems enable us to more accurately predict new orders and to optimise capacity utilisation to reflect traffic volumes. We have also further increased the flexibility of our staff costs over the past two years.

Revenue and earnings performance

Revenue slightly under prior-year level

Since the start of the financial year 2008, we have been reporting on the Deutsche Post retail outlets as part of the MAIL Division. The prior-year figures have been restated in view of structural changes in the way costs are allocated in connection with the unbundling of the SERVICES Division. The Corporate Information Solutions Business Unit is now reported on as part of the SUPPLY CHAIN/CIS Division. The Pension Service has been transferred from the FINANCIAL SERVICES Division to the mail business as they share a regulatory environment that is almost the same.

In the year under review, revenue amounted to €14,393 million – only slightly under the previous year's high figure of €14,569 million. In a German mail market that is now fully liberalised, we have regained shares from competitors and in the international mail business we have taken a consistent profit-based approach to our business that has included cutting ties with unprofitable customers. As in the past, currency effects were minimal in the reporting period, only pushing revenue down by €66 million.

Deutsche Post prevails in liberalised German mail market

The German letter mail market has been fully liberalised since the start of 2008. In the Mail Communication Business Unit, revenue declined year-on-year from €6,096 million to €6,031 million. The market is shrinking steadily as a result of increasing use of electronic means of communication. Although competition is becoming more intense, we have secured market shares with competitive products and services and regained lost customers. In a year-on-year comparison, sales volumes increased slightly due to the fact that the second half had 1.7 additional working days.

In the regulated mail sector, we kept prices stable although the inflation rate underlying the price cap procedure increased. According to a comparative study we conducted, our postage rates rank amongst the lowest in Europe. The survey took account of both the nominal price for sending a standard letter (20g) by the fastest method and key macroeconomic factors, such as purchasing power and labour costs.

Mail Communication: sales

mail items (millions)

	2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Business customer letters	6,764	6,856	1.4	1,729	1,767	2.2
Private customer letters	1,348	1,328	–1.5	402	400	–0.5
Total	**8,112**	**8,184**	**0.9**	**2,131**	**2,167**	**1.7**

Limited advertising expenditure

Performance in the Dialogue Marketing Business Unit was shaped in 2008 by the trend amongst companies in Germany to restrict advertising expenditures. Traditional mail-order companies came under especially intense pressure as a consequence of the economic situation. This evidenced itself in declining volumes for addressed and unaddressed advertising mail in the fourth quarter. For this reason, revenue for full-year 2008 (€2,856 million) did not quite reach the high level of the previous year (€2,914 million).

Dialogue Marketing: volumes

mail items (millions)

	2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Addressed advertising mail	6,782	6,912	1.9	1,948	1,947	–0.1
Unaddressed advertising mail	4,650	4,940	6.2	1,363	1,343	–1.5
Total	**11,432**	**11,852**	**3.7**	**3,311**	**3,290**	**–0.6**

Stable revenue for Press Services

Revenue in the Press Services Business Unit increased slightly over the prior-year period, from €822 million to €826 million. Although quantities edged down, both item weights and average prices increased.

E-commerce drives increase in parcels

The Parcel Germany Business Unit pushed up revenue by 1.0% year-on-year, from €2,558 million to €2,583 million. The fourth quarter was particularly strong. The growing significance of e-commerce is reflected in increased sales volumes on the part of our business and private customers. However, our customers with traditional mail-order businesses are suffering from the economic trend in Germany – their sales volumes are dropping.

Parcel Germany: sales

items (millions)

	2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Business customer parcels	646	661	2.3	179	189	5.6
Private customer parcels	107	112	4.7	35	37	5.7
Total	**753**	**773**	**2.7**	**214**	**226**	**5.6**

Largest network of fixed-location retail outlets in Germany

With around 14,000 outlets, we have the largest network of fixed-location retail outlets in Germany, where our customers are able to meet their postal and often banking needs. We are continually expanding our network to make access to our services as simple as possible for customers. Revenue generated by the outlets fell from €836 million to €815 million, mainly due to lower internal revenues.

Global Mail suffers from currency effects

Our international mail business registered a revenue decline of 5.0%, from €2,102 million in 2007 to €1,997 million in 2008. The decrease was particularly noticeable in the fourth quarter. In addition to negative currency effects of €66 million, revenues suffered especially from the discontinuation of DHL@home – a product for mail-order companies in the US. We no longer offer this product after reducing our Express transport network.

Mail International: volumes

mail items (millions)

	2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Global Mail	7,457	7,364	–1.2	2,121	1,936	–8.7

Non-recurring items increase profit

With €2,253 million in financial year 2008, EBIT surpasses our earnings figure for the previous year (€1,976 million), primarily thanks to the boost of €572 million from the repayment awarded in the EU state aid proceedings. Without the repayment, EBIT would have fallen by 14.9% year-on-year due to the negative impact of increased costs and the aforementioned market environment. Operating cash flow amounted to €2,235 million (previous year: €1,946 million); the return on sales was 15.7%.

EXPRESS

Business units and market positions

Network for time-critical shipments spans the globe

The EXPRESS Division transports time-sensitive documents and goods reliably from door to door via fixed routes and using standardised workflows. Our network spans more than 220 countries and territories in which more than 100,000 employees serve over eight million customers.

In 2008 we expanded our reach for time-critical shipments. We now offer delivery before either 10.30am or 12.00pm in all major countries in the Americas region. In Europe and Asia, we increased capacities for delivering prior to 12.00pm in numerous countries, thus fortifying our already strong market position. In Eastern Europe, the Middle East and Africa, we have the most extensive coverage for premium deliveries, which reach their destination countries by the quickest possible route. We guarantee faster transit times than our competitors on the world's central trade lanes, especially to and from Asia.

As a global network operator, we are well aware that the quality of our services is crucial in determining business success. Therefore, continuous improvement of our service levels is a must for us.

Regions and products

- Europe
- Americas
- Asia Pacific
- EEMEA (Eastern Europe, Middle East and Africa)

- DHL Same Day
- DHL Time Definite
- DHL Day Definite

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Standardised products and services meet all customer needs

Our three product lines – DHL Same Day, DHL Time Definite and DHL Day Definite – offer customers courier and express services in each of the three standard time segments.

Normally, our customers make use of our customer service numbers or the internet when ordering transport services. In Germany, we leverage the Deutsche Post retail outlets. We also maintain more than 30,000 Servicepoints outside of Germany, where ad hoc customers can drop off and pick up shipments and have them packed at no extra charge. The prices are standardised by weight class.

At a time when the environmental impact of business is a live issue, particularly with respect to the logistics sector, we are thus far the only express service provider to offer climate-neutral shipping products – our GoGreen programme.

Globalisation still driving growth

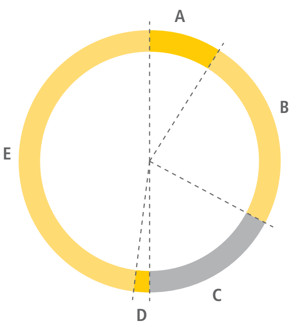
Historically, the global express market has grown at an average of 6% to 8% each year. Although growth has now slowed notably in line with the general economic downturn – decreasing from 3.7% in 2007 to 2.8% in 2008 – our business is still driven by globalisation. We maintain a strong position in all parts of the world and are the market leader in international express shipments in all regions outside of the United States.

2008 proved to be highly unusual, with the economic downturn accelerating during the course of the year, our gradual exit from the domestic US express business and strongly fluctuating fuel prices.

US international CEP market, 2007

Market volume: €7.5 billion[1)]

A	9 %	DHL
B	24 %	FedEx
C	17 %	UPS
D	2 %	USPS
E	48 %	Other



1) New market portrayal: These figures are estimates for outbound international shipments < 1,000 kg.

Source: MRSC in co-operation with Colography Group 2008.

Exit from US domestic express market

As the largest express market in the Americas, the United States holds a unique position. It is connected to the world's principal trade lanes and some 49 % of all DHL shipments are billed there, where nearly half of our 200 largest customers are based.

After the takeover of Airborne in 2003, we worked to make our domestic business in the United States a success and to establish DHL as the third major player in this duopoly market. However, today we must concede that our positive operational achievements did not translate into financial success. Ultimately, the weak US economy, exacerbated by expectations of a global recession, increased pressure to such an extent that we were forced to find a viable solution in the interests of our shareholders, employees and customers.

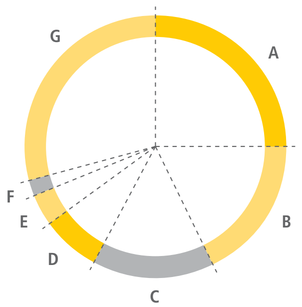
In November 2008, we decided to exit the US domestic express business by the beginning of 2009. We are re-focusing fully on our core competency – the international express business. In the future, the United States will remain an integral part of our global network, the scope and capacity of which guarantee us a leading position in the express market. In the year under review, our share of 9 % (2007) in the US international express market allowed us to again remain competitive and to solidify our market position.

In the international express business in Latin and Central America, DHL is the market leader with a share of 36 % (2007) and is growing robustly. Although international volume growth has slowed as a result of the poor US economy, the domestic express markets experienced dynamic growth, particularly in Mexico and Venezuela.

European international CEP market, 2007[1)]

Market volume: €15.3 billion[2)]

A	25 %	DHL
B	18 %	UPS
C	15 %	TNT
D	7 %	FedEx
E	4 %	La Poste (incl. DPD, Geopost)
F	2 %	Royal Mail (incl. GLS)
G	29 %	Other



1) Country base: A, B, BG, CH, CZ, D, DK, E, FIN, GB, GR, H, I, IRL, L, N, NL, P, PL, RO, S, SK, SLO.
2) These figures are based on all shipments < 1,000 kg.

Slowdown in Europe intensified

In 2007, the European market for courier, express and parcel (CEP) services increased to €15.3 billion, up from €12.1 billion a year earlier. E-commerce was responsible for most of this growth, whilst the addition of Eastern European countries to the region during the reporting period also played a role.

In 2008, the economy negatively impacted volume growth. Moreover, air express shipments continued to decrease in favour of more economical ground transport.

We maintained our leading position in Europe's international CEP market, even broadening our position in Eastern Europe. In terms of growth, we outperformed the market on many trade lanes, especially to and from Asia and Eastern Europe.

We expanded our services in time-definite deliveries, which we now offer in 55 countries. In Europe, we are presently able to deliver to more than 94 % (previous year: 80 %) of all business addresses by 12.00pm.

This success is in large part thanks to our new intercontinental hub at Leipzig/Halle Airport, which we put into operation as scheduled in May 2008, following just three years of planning and construction. The Group invested around €300 million in the facility, where each working day some 60 aircraft take off and land and around 1,500 tonnes of freight are handled. This has enabled us to increase the number of direct flights within Europe and beyond. We maintain connections to 46 countries on three continents.

Undisputed market leader in Asia

Asia continues to be a key driving force for growth in the world. The consumer goods and high-tech sectors are particularly significant in this region, accounting for more than two-thirds of the international express business. After years of strong growth, three factors are currently slowing the further expansion of the Asian express market. Asian exports are suffering from the economic slowdown in the United States. The supply chains that feed internal trade within Asia are changing. And an increasing number of goods are being carried by ship so that our shipment volume fell as a result in the year under review.

DHL nonetheless posted strong growth again and maintained its leading position in 2008 in Asia's international express markets – including the region's 14 largest economies – where we hold by far the largest market share (34%).

In 2008 we greatly expanded the reach of our time-definite network: In 13 Asian countries we deliver by 12.00pm, thereby dominating the most significant intra-Asian trade lanes. In addition, since last autumn we have offered day-definite delivery within Asia.

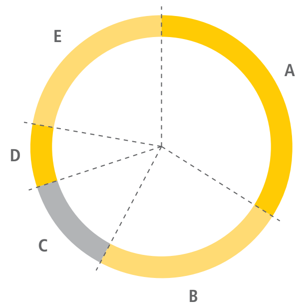
Our international position – which has been strengthened by our trans-Pacific partnership with Polar Air – is complemented by our presence in key Asian domestic markets. The ground-based transport services offered by Blue Dart in India saw encouraging growth, as did domestic business in China and Australia.

In recent years we have invested more than US$2.2 billion in the region. We established dedicated infrastructure, upgraded existing hubs and gateways and expanded our dedicated air traffic network.

Asian international express markets, 2007 [1]

Market volume: €5.9 billion [2]

A	34%	DHL
B	24%	FedEx
C	12%	UPS
D	8%	TNT
E	22%	Other



1) Country base: AU, CN, HK, ID, IN, JP, KR, NZ, MY, PH, SG, TH, TW, VN.
2) These figures are based on shipments <1,000kg.

Source: AT Kearney, TMS 2008.

Emerging markets shaped by strong growth

In the year under review we had another year of double-digit volume growth in the 88 countries making up the EEMEA region (Eastern Europe, the Middle East and Africa). Russia and the United Arab Emirates developed into growth markets along with other emerging markets in this region, particularly Saudi Arabia, Turkey, Ukraine and Kazakhstan. As the market leader, our network puts us in an excellent position to benefit from further growth of these import markets.

We continued to expand our service in 2008, particularly in Russia. We now offer overnight delivery to Moscow and St. Petersburg from all of Europe's major cities and economic centres.

Day-definite road transport in the Middle East, North Africa and Turkey was likewise expanded, enabling us to acquire new contracts in the automotive sector and the consumer goods industry.

Strategy and goals

Our main objective is to increase profitability and generate further organic growth despite the economic downturn. Our strategy for achieving this goal is to remain the preferred provider in the international express business – across all products and regions. In the United States, we are reorganising our international business. We are also investing in growth markets whilst at the same time taking actions to counterbalance the foreseeable economic decline. We continued to expand the global organisation under uniform management last year, putting us in an excellent position to tackle these goals.

Maintaining leading position in the international express market

Our strategy revolves around the international air traffic network. Competitive pricing and first-rate service on all the major trade lanes is our objective. This is why one of our plans is to launch intercontinental day-definite delivery. We are continuously upgrading our service standards to facilitate customer access to our services. For instance, we are developing electronic solutions to enable customers to determine the location of their shipments at any time using their computers or mobile phones. One such solution is ProView, which is already used by more than 50,000 customers in some 40 countries.

Concentrating on the international express business in the USA

We will continue to offer competitive international express services in the USA in the future. Employees based in and outside of the country will structure the reorganisation such as to reinforce our position as international shipping experts and ensure that customers receive high service quality. We will thus continue to pose an attractive alternative to our two main competitors in the US express market.

Increasing presence in growth markets

We are further augmenting our presence in growth markets. To do so, we are making infrastructure investments such as the construction and expansion of air hubs, particularly in the Asia Pacific region. In 2008, we enlarged the central Asian hub at the airport in Hong Kong, which represented a major milestone. In addition, we are continuing to take advantage of our strong potential in many domestic markets outside of the USA. We see growth opportunities in the domestic express markets in Latin and South America as well as in China and India.

Managing global network costs

As the operator of a network spanning the entire globe, we are always looking for ways to make this network more efficient. We use modern aircraft such as the Boeing 777 to optimise fuel consumption and reduce our per-unit costs, and we are continuing to improve capacity utilisation. Moreover, we constantly review all areas to determine how productivity can be raised.

Revenue and earnings performance

Revenue in the EXPRESS Division declined by 1.7% in 2008 to €13,637 million (previous year: €13,874 million). Business was impacted by negative currency effects amounting to €620 million. Measured in local currencies, we attained organic revenue growth of 2.4%. Revenue outside the US grew by 3.9%, resulting in large part from surcharges we collected for higher fuel costs.

In a deteriorating economic environment, daily shipment volumes in the Time Definite International product line decreased by 2.4% compared with the previous year. The daily volumes in the Time Definite Domestic product line performed well in our regions outside the US and achieved a year-on-year increase of 7.0%. However, this could not fully compensate for the continuing volume decline in the United States.

EXPRESS: revenue by product

€m per day

	2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Time Definite International	27.3	28.6	4.8	29.0	28.0	–3.4
Time Definite National	10.4	9.8	–5.8	10.8	8.3	–23.1
Day Definite National	10.3	10.1	–1.9	11.2	9.4	–16.1

EXPRESS: volumes by product

thousands of items per day

	2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Time Definite International	528.6	515.8	–2.4	546.1	501.8	–8.1
Time Definite National	1,355.2	1,193.9	–11.9	1,373.3	944.7	–31.2
Day Definite National	1,327.2	1,250.8	–5.8	1,440.3	1,068.1	–25.8

Revenue in Europe at prior-year level

In Europe, revenue stabilised at €6,631 million, close to the previous year's figure of €6,667 million. The total figure contains negative currency effects in the amount of €159 million, attributable primarily to our UK and Nordic countries business. The underlying organic growth for the region was 2.1%. The new EU members as well as France and the Scandinavian countries achieved good organic growth in 2008.

Americas impacted by economy and exit from domestic US market

In the year under review, the overall trend in the Americas region was shaped by the poor economic conditions and our gradual exit from the domestic express business in the US. Revenue slipped by 14.5% to €3,559 million (previous year: €4,165 million), including negative currency effects in the amount of €281 million. Measured in local currency, revenue decreased by 7.8%, largely resulting from the ongoing restructuring activities in our US business. Business in Latin America was once again encouraging with organic growth in the double digits. In the United States, however, revenue declined in organic terms year-on-year by 13.4%. Shipment volumes in our domestic product lines were particularly hard hit by the weak US economy and our decision to cease domestic activities.

Growth continues in the Asia Pacific region

Revenue in the Asia Pacific region increased by 6.6% to €2,746 million (previous year: €2,576 million). Changes in the euro exchange rate gave rise to negative currency effects in the amount of €111 million. Although the rate of growth in the region slowed mainly in the second half of 2008, we posted organic revenue growth of 9.1%. Domestic shipment volumes continued to rise in this region.

Double-digit revenue growth in the emerging markets

In the EEMEA region (Eastern Europe, the Middle East and Africa), revenue increased by 15.2% to €1,176 million (previous year: €1,021 million). This translates into organic growth of 22.3% after factoring in the negative currency effects of €73 million. Once again, we achieved the highest growth rates in all of our product lines in the Middle East and Russia.

Realignment of US business impacts earnings

EBIT declined by €1,872 million in 2008, from €–272 million in the previous year to €–2,144 million. The drop in EBIT was mainly due to restructuring activities, which led to non-recurring expenses of €2,358 million. Most of these expenses were related to the realignment of our US business, which accounted for €2,096 million of non-recurring expenses. Losses in the US continued to rise in 2008. Outside the US, our earnings from operating activities and after adjustment for restructuring costs were satisfactory. The effect of a declining economy was mainly felt in the last quarter of 2008. The unfavourable economic trend led to lower volumes, which we were able to offset by implementing several cost reduction initiatives. Operating cash flow, which includes the cash outflow for restructuring activities and the losses from the US business, fell from €1,001 million to €263 million.

GLOBAL FORWARDING/FREIGHT

Business units and market positions

In March 2008, the LOGISTICS Division was dissolved and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. The business units of the division are still called Global Forwarding and Freight.

We create global transport solutions

DHL, with its Global Forwarding and Freight business units, is the world's largest provider of air and ocean freight services and one of the leading overland freight forwarders in Europe and the Middle East. Our job as a freight forwarder is to plan and implement global transport solutions for our customers, to supply the necessary capacity and to co-ordinate the flow of goods in more than 150 countries. To do so, we rely on the competence of our around 41,000 qualified employees along with our many reliable partners.

Our business model involves us acting as a broker between the customer and the carriers. We combine demand from different customers in order to reach a volume that allows us to buy cargo space and charter capacity from airlines, shipping companies and freight carriers at competitive prices. We also make use of the air freight capacity of the EXPRESS Division. Since we purchase transport services rather than providing them ourselves, we are able to operate our business with a very low level of fixed assets.

World market leader in air and ocean freight

DHL is the world market leader in the air and ocean freight sector. Around 30,000 employees in 150 countries work to ensure that shipments of all kinds are transported to their destination by air or by sea. We also support our customers by providing special transport-related services: We store customers' goods, collect them, deliver them, handle customs formalities and insure the load. In this way, we guarantee the safety of the goods even beyond national borders.

Our customer base consists of large-scale enterprises along with small and medium-sized businesses operating primarily in the technology, pharmaceutical, automotive, mechanical engineering and commerce sectors. We also plan and implement major logistics projects, in particular for the petroleum and energy industry and the aviation and aerospace sector.

Presence expanded in growing air freight markets

The fastest way to transport goods is by air. In the year under review, the air freight market decreased by 4% in contrast to 4% growth in the previous year. However, we continued to expand our presence in growth markets such as Asia, Africa and the Middle East, where we are the clear market leader with a share of 11.9% (2007). This figure cannot be compared with the prior year, since market volume is now reported in tonnes transported rather than in revenues as it was previously the case.

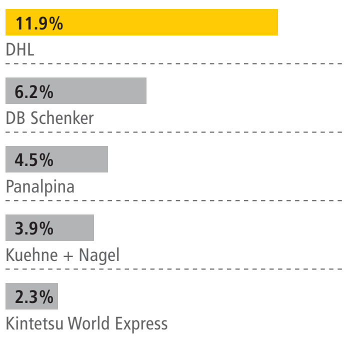
Business units and products

Global Forwarding
- Air freight
- Ocean freight
- Industrial projects

Freight
- Full and part truckload
- Less than truckload
- Intermodal

Market shares, top five: air freight 2007

Market volume: 20.9 million tonnes [1]

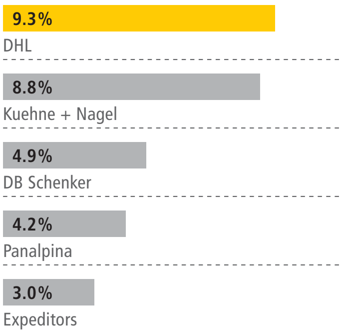


1) Data are based solely on tonnes of export freight.

Source: Global Insight, Global Trade Navigator, annual reports, press releases and company estimates.

Market shares, top five: ocean freight 2007

Market volume for forwarding: 29.6 million TEU[1)]

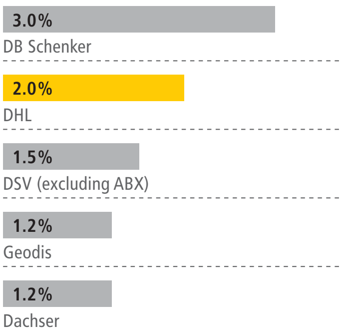


1) Estimated share of overall market controlled by forwarders.

Source: Global Insight, Global Trade Navigator, annual reports, press releases and company estimates.

Market shares, top five: European road transport 2007

Market volume: €163.7 billion[1)]



1) Total for fourteen European countries, excluding bulk and specialties transport.

Source: MRSC freight reports 2007 and 2008, Eurostat 2007, annual reports, press releases, company websites, estimates, analyst reports.

Ocean freight market growing steadily

When transporting goods by sea, transit times are longer than for air transport but the costs are lower. We are the global leader in both less-than-container-load (LCL) and full-container-load (FCL) shipments. According to our estimates, this market grew by 3% to 4% in 2008. We slightly expanded our share of the market.

New products combine modes of transport

In times of economic uncertainty, customers become more cost-conscious. At the same time, they want integrated, safe and fast transport solutions. One such solution is our SeAir product, which combines these two modes of transport. This service is considerably faster than ocean shipping but at significantly lower prices than air freight. The product has been well received by the market and in the year under review, we increased volume by 27%.

Our business activities in the major economic regions were highly successful. In Europe, for example, our Airfreight Plus product combines the speed of express shipping with the customised service of a freight forwarder and guarantees day-definite, door-to-door delivery of heavy goods in 32 European countries. Customers benefit from late collection times and next-day delivery. In addition, specially trained personnel ensure that temperature-sensitive shipments are processed quickly with minimum holding times.

Number two in European overland transport

Freight is the second-largest overland freight forwarder in Europe with around 11,000 employees in 53 countries. Our business model is similar to that of Global Forwarding: We see ourselves as a broker of freight capacity. In the overland transport business we provide full-truckload, part-truckload and less-than-truckload services. We also offer combined services with other carriers, especially rail transport companies. Moreover, our range of services includes the handling of customs formalities and the provision of insurance.

DHL is one of the leading providers of trade fair, exhibition and event logistics. Along with trade fair transport, our range of services includes customised full-service solutions for exhibitors, international trade fair organisers, event management and staging companies as well as event agencies.

In 2007, the European market for road transport grew by 4.2% (previous year: around 3.5%). We maintained our share of 2.0%.

Strategy and goals

We are well positioned in our markets due to our air freight, ocean freight and road transport services. Our goal is to continue to grow steadily and organically at a rate above the industry average. To this end, we pursue three approaches:

1. **Presence in growth markets.** We are increasing our presence in Asia, on the rapidly growing Indian subcontinent, in the Middle East and in Africa. We plan to make targeted investments in customer relationships in order to expand, for example, our overland transport business within the Middle East and in Asia.
2. **Industry-specific solutions.** We develop industry-specific solutions. For the pharmaceuticals industry, for instance, we developed DHL ColdChain, a temperature-controlled pallet network for transporting sensitive products within Europe safely and efficiently.
3. **Modern infrastructure.** We are harmonising our IT and making substantial investments in a networked infrastructure. In November 2008, we opened the largest transhipment centre of its kind in the Middle East on 80,000 m² in Jebel Ali in the free-trade zone of Dubai. Our customers use the centre as an intermediate storage point when transporting goods between Europe, Africa and Asia.

Revenue and earnings performance

Satisfactory organic growth for freight forwarding business

All in all, our freight forwarding business saw encouraging growth in 2008. Revenue grew by 9.4% to €14,179 million (previous year: €12,959 million). This figure includes negative currency effects of more than €400 million as well as minor acquisitions in the Global Forwarding Business Unit. Organically, our revenue grew by 11.2%.

Air and ocean freight volumes down due to weak market in fourth quarter

The Global Forwarding Business Unit generated revenue of €10,585 million (previous year: €9,410 million). Thus, revenues grew by 12.5% year-on-year despite negative currency effects. Organic revenue growth was 14.6%. Gross profit in the business unit totalled €2,222 million. Our earnings from operating activities (EBIT) increased slightly despite the decline in gross margins and difficult economic conditions. We succeeded in optimising both operating expenses and overhead costs on an ongoing basis. If the restructuring provisions recognised in the reporting year are discounted, earnings increased year-on-year.

Air freight volumes saw a slight decrease of 2.7% in financial year 2008 compared with the previous year; this was followed by a stronger decrease, however, in the fourth quarter (16.3%). The decrease reflected the overall market, which declined by 4% in the reporting period. In November and December alone, air freight market volumes dropped year-on-year by 13.5% and 22.9% respectively, due to the sharp deceleration of growth in global trade. As a consequence, freight rates on many trade lanes experienced sharp declines and capacities were reduced. However, since fuel surcharges, amongst others, were significantly higher than in 2007, we nonetheless posted a revenue increase of 12%. Our business remained robust in the Middle East, Africa and South-East Asia in particular.

Global Forwarding: revenue by segment

€m	2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Air freight	4,809	5,388	12.0	1,268	1,341	5.8
Ocean freight	3,014	3,418	13.4	810	924	14.1
Other	1,587	1,779	12.1	444	479	7.9
Total	**9,410**	**10,585**	**12.5**	**2,522**	**2,744**	**8.8**

Global Forwarding: volumes

thousands		2007	2008	+/–%	Q4 2007	Q4 2008	+/–%
Air freight	Tonnage	4,409	4,291	–2.7	1,203	1,007	–16.3
Ocean freight	TEU[1]	2,764	2,882	4.3	873	754	–13.6

1) Twenty-foot equivalent units.

Market growth in the ocean freight business also suffered from a very weak fourth quarter. We estimate the market to have grown by only 3% to 4% in the year under review. However, we outperformed the market on the whole with growth of 4.3% despite a fourth-quarter volume decline of 13.6%. Thanks to a favourable trend in freight rates, revenue rose by 13.4% in 2008. We increased revenues in Latin America, North Asia and Europe in particular.

Our industrial projects business, which we have been focussing on for two years, made another above-average contribution to growth, especially in Asia, North America, the Middle East and Africa.

European overland transport business performs stably

The Freight Business Unit reported revenue of €3,710 million for the year as a whole (previous year: €3,646 million) and organic growth of 2.6% compared with the previous year. The business performed well in the Benelux countries, in Eastern Europe and in Germany. Gross profit amounted to €955 million, around the same as in the prior year.

Calculation of cash conversion rate

Operating cash flow
⊖ EBIT
⊜ **Cash conversion rate**

EBIT before non-recurring items rises 6%

Division EBIT declined to €389 million from €409 million in the previous year. The figure for 2008 includes restructuring provisions amounting to more than €40 million. Additionally, adjusted for negative currency effects of nearly €20 million as well as acquisitions, the business performed well with earnings growth of 6%. Thanks to our effective cost management, we held our ground well in a difficult and volatile market environment. Return on sales (excluding restructuring provisions) remained stable compared with the previous year at 3%.

Operating cash flow amounted to €630 million (previous year: €217 million). The figure greatly increased because we are consistently implementing our Roadmap to Value initiatives. Working capital and the cash conversion rate both improved. The cash conversion rate measures the proportion of operating earnings that are converted to cash flow.

SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS

Business units and market positions

In March 2008, the LOGISTICS Division was dissolved and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS Division (hereinafter SUPPLY CHAIN/CIS). The Corporate Information Solutions Business Unit was previously reported under the MAIL Division. The prior-year figures were restated.

Business units and products

Supply Chain
- Warehousing
- Distribution
- Managed transport services
- Value-added services (e.g. packaging, technical services, procurement)

Corporate Information Solutions
- Office document solutions
- Customer correspondence management
- Marketing solutions

Customised logistics solutions with sector focus

In 65 countries all over the world the division focuses on customer-orientated solutions along the entire supply chain. We provide warehousing, distribution, transport and value-added services along with corporate information solutions. We have long-standing business relationships with our customers in most mature markets, often going back for more than 20 years. Our success rests on understanding the individual needs of our customers and offering them solutions that add value to their business.

In the retail, fashion and consumer goods industries, customers need highly flexible supply chains that allow them to react quickly to market trends. We operate warehouses, provide packaging services and manage transportation networks all the way from the source of supply to retail shelves.

In the healthcare industry, it is necessary to keep a constant eye on inventories and provide high levels of product visibility along each step of the supply chain – not least to meet the numerous regulatory requirements. We therefore provide a strictly controlled environment consisting of purpose-built, highly-secure facilities strategically located throughout the world.

The logistical challenge of the technology sector lies in ever shorter product life cycles, which necessitate quick changes in production and distribution locations. Our offering comprises inbound to manufacturing logistics, distribution and warehousing, assembly and returns logistics. We also generate economies of scale for our customers with the help of shared-user warehouses and hubs.

The automotive industry demands efficient and co-ordinated supply chains in order to ensure timely delivery of components across the globe. We provide this service for many prominent automotive suppliers in all major markets where we operate. Considering the fact that this industry is currently suffering, we are working even harder with most of our key customer to further optimise supply chains and thereby reduce costs.

In the Corporate Information Solutions Business Unit, we provide customised solutions for both digital and print information, ranging from drafting and printing communications materials to outsourcing business processes. This helps our customers to improve internal processes, focus communication and reduce costs – in short, to be more profitable. We are specialised in industries such as insurance, retail, automotive, consumer goods, pharmaceutical, financial services, legal, consulting, publishing and the public sector. In business process outsourcing (BPO), we are the market leader.

Market shares, top five: contract logistics 2007

Market volume: €206 billion[1]

Company	Market share
DHL	6.4%
CEVA	1.7%
Kuehne + Nagel	1.4%
Wincanton	1.3%
UPS SCM	1.3%

1) Company estimates based on Datamonitor input.

Global market leader in supply chain solutions

DHL is the world leader in outsourced contract logistics with a market share of 6.4% (2007). We are one of only a few globally operating companies in this fragmented market. The size of the outsourced contract logistics market is estimated to be €206 billion. Our leading position allows us to leverage global competences to better serve our customers in the local markets where we operate.

The market for document management and BPO is likewise highly fragmented, being shaped by just a few specialists offering either a very limited set of services or occupying exclusive niches. Thanks to our broad range of international services and excellent customer base, we lead this market under our Williams Lea brand.

Strategy and goals

Targeted and profitable growth

In the year under review, we witnessed a difficult economic climate affecting our customers, especially in the financial and automotive sectors. We also see the current economic climate, however, as an opportunity because an increasing number of companies look to outsource their logistics requirements and information processes during challenging economic times.

Our goal is to achieve good financial results whilst supplying high-quality services. We intend to continue improving innovation, quality and productivity, whilst providing career development opportunities for our employees, and to be a socially responsible organisation.

We anticipate profitable growth in the middle single digits over the long term in our two largest markets, Europe and North America. In the developing markets of Asia, Latin America and Eastern Europe, we have active sales and marketing organisations aimed at continuing to selectively expand our presence. In 2008, we succeeded in increasing revenue by nearly 20% in these key emerging economies.

We will continue to standardise our business models and deliver services to our customers more efficiently.

Revenue and earnings performance

Rise in adjusted revenue

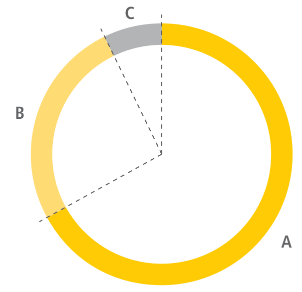
Revenue in the SUPPLY CHAIN/CIS Division declined by 4.2% to €13,718 million (previous year: €14,317 million). However, adjusted for negative currency effects of €1,061 million and other inorganic items, the division achieved organic growth of 2.8%.

The Supply Chain Business Unit generated revenue of €12,469 million (previous year: €13,099 million) with revenue growth of 1.9% after excluding negative currency and other inorganic effects. The organic growth in our regions is tempered by customer losses and soft volumes resulting from the global economic environment. The Corporate Information Solutions Business Unit reported revenue of €1,243 million (previous year: €1,214 million). When excluding negative currency effects we maintained double-digit organic revenue growth, principally due to new business acquired in the previous year. This was partially offset by reduced volume levels in document management and in marketing solutions business as a result of the economic downturn.

Supply Chain 2008: revenue by region

Total revenue: €12,469 million

A	67%	Europe/Middle East/Africa
B	26%	Americas
C	7%	Asia Pacific



More than 90% contract renewal rate

In the Supply Chain Business Unit we signed new contracts worth €1.1 billion (annual revenues) with existing and new customers. The renewal rate for contracts remained constant at more than 90%.

Earnings impacted by non-recurring items

In financial year 2008, the division registered a loss of €675 million before interest and taxes (previous year: profit of €577 million). This figure includes restructuring expenses of €124 million and write-downs on the value of the Exel brand amounting to €382 million, which is a result of the Group's new branding strategy to use the DHL brand. Moreover, an impairment test as prescribed by IAS 36 resulted in an impairment loss of €610 million.

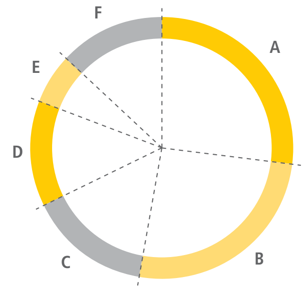
These non-recurring items, along with the sale of Vfw AG in 2007 and negative currency effects, led to a decrease in the division's organic EBIT of 5.5%, particularly as a consequence of the negative impact on the Corporate Information Solution's business in the financial sector. By contrast, the Supply Chain Business Unit saw organic growth of 5.7%, well ahead of organic revenue growth.

Operating cash flow amounted to €481 million (previous year: €319 million). Efficient working capital management and, in particular, a stronger focus on customer payment terms contributed to a significant improvement in cash flow.

Supply Chain 2008: revenue by sector

Total revenue: €12,469 million

A	27%	Retail & fashion
B	26%	Consumer goods
C	15%	Technology
D	13%	Healthcare
E	6%	Automotive
F	13%	Chemicals/industry/other



Discontinued operations

Revenue and earnings performance

Changed reporting structure

On 12 September 2008, Deutsche Post agreed to sell a minority shareholding in Deutsche Postbank AG to Deutsche Bank AG in the first quarter of 2009. We have adapted our reporting structure accordingly. The Pension Service was transferred from the FINANCIAL SERVICES Division to the mail business. The remaining segment consists only of Postbank and has therefore been reported under "discontinued operations" since the third quarter of 2008.

Financial crisis hampers Postbank earnings

The Deutsche Postbank Group was impacted by one-time charges as a result of the global financial market crisis, especially in the second half of 2008. In addition to other factors, Postbank's earnings situation was noticeably impacted by the write-downs on Postbank's exposure to investment bank Lehman Brothers and Icelandic banks as well as the decrease in equity holdings to be recognised in profit or loss – announced as an effort to reduce capital market-related risks and portfolios.

With respect to net interest income and net fee and commission income – Postbank's customer business-related core income figures – the bank either reached or exceeded the previous year's figure. By contrast, net trading income and net income from investment securities declined significantly as a consequence of the financial crisis.

In spite of a clear rise in the rate of inflation and several special factors, administrative expenses were only slightly higher than the prior year level. The allowance for losses on loans and advances rose, however, due to the effects of the financial market crisis.

Thus, profit or loss from operating activities (EBIT) from discontinued operations fell by €1,931 million from €1,060 million in 2007 to €–871 million in the year under review.

In line with this, the profit or loss after tax from discontinued operations in 2008 was €–713 million, well below the prior-year figure of €858 million.

Postbank's operating business performed well in all major product segments despite a continued difficult climate in the German retail banking business.

Deutsche Postbank AG provides details of its business performance in 2008 in its own annual report, to be published on 9 March 2009.

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Non-financial Performance Indicators

Employees

Workforce remains strong

People are the driving force behind logistics. Our company has qualified and dedicated employees around the world working towards its success. As at 31 December 2008, the Group employed 451,515 people (full-time equivalents). Although the total number of employees remained nearly the same as the previous year, the number of civil servants dropped further to 51,304. Staff costs increased by 4.8% year-on-year, from €17,169 million to €17,990 million.

Note 14

In the MAIL Division, the number of employees fell by 1.9% to 142,674. The number of full-time equivalents declined primarily in Germany after we increased productivity there. Staff reductions also resulted from the further reorganisation of the retail outlet network.

Measured against the previous year, the number of people employed in the EXPRESS Division fell by 3.9% to 108,275. This can be primarily attributed to restructuring our US business. By contrast, the number of full-time equivalents in the GLOBAL FORWARDING/FREIGHT segment rose by 5.9% to 41,499, precipitated by acquisitions and organic growth. The increase in the SUPPLY CHAIN/CIS Division of 2.2% to 143,786 is also a result of organic growth.

The number of employees in the Corporate Center/Other unit fell by 1.7% as a result of streamlining efforts in the service departments such as IT, Accounting and Real Estate. The staff level there was 15,281 at the end of the year under review.

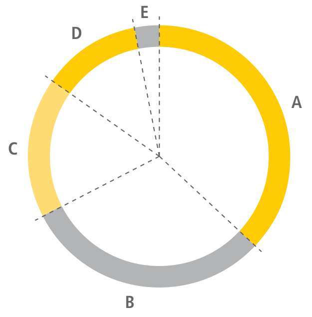
Number of employees

	2007	2008	+/–%
Continuing operations			
At year-end			
Headcount[1]	512,147	512,536	0.1
Full-time equivalents[2]	453,626	451,515	–0.5
By segment			
MAIL	145,458[3]	142,674	–1.9
EXPRESS	112,727	108,275	–3.9
GLOBAL FORWARDING/FREIGHT	39,200[3]	41,499	5.9
SUPPLY CHAIN/CIS	140,694[3]	143,786	2.2
Corporate Center/Other	15,547[3]	15,281	–1.7
By region			
Germany	170,258	167,816	–1.4
Europe (excluding Germany)	133,137	136,649	2.6
North, Central and South America	87,185	78,212	–10.3
Asia Pacific	51,852	55,182	6.4
Other	11,194	13,656	22.0
Average for the year			
Headcount	500,252	511,292	2.2
Hourly workers and salaried employees	443,584	456,149	2.8
Civil servants	52,809	51,304	–2.9
Trainees	3,859	3,839	–0.5
Full-time equivalents	**447,626**	**456,716**	**2.0**
Discontinued operations	21,474[3]	21,127	–1.6

1) Including trainees. 2) Excluding trainees. 3) Restated.

Employees by regional split[1), 2)]

A	37.2 %	Germany
B	30.3 %	Europe (excluding Germany)
C	17.3 %	North, Central and South America
D	12.2 %	Asia Pacific
E	3.0 %	Other



1) Full-time equivalents as at 31 December 2008.
2) Continuing operations.

We employ people in more than 220 countries and territories across the globe. Their regional distribution is illustrated by the adjacent diagram. Germany remains the country with the largest number of employees, although the workforce there is diminishing. In the rest of Europe, in Asia and the other regions, the number of employees has risen dramatically in some cases; in America, however, the number has fallen due to restructuring of the express business.

New collective pay agreements settled

On 30 April 2008, Deutsche Post AG and the trade union Verdi reached an agreement in their collective-bargaining negotiations for the around 130,000 Deutsche Post AG employees. The employment pact for employees covered by the collective-bargaining agreement, which rules out layoffs, was extended to 30 June 2011. In addition, these employees received a one-time payment of €200 for the months of May to October 2008 and a 4 % wage increase effective 1 November 2008. Beginning in December 2009, wages will rise another 3.0 %. Employees subject to collective-bargaining agreements will continue to work a 38.5 hour work week. In return, paid breaks have been reduced by 48 minutes per week. The collective agreement will end on 30 June 2010. New collective agreements were also concluded for the around 5,500 staff members in subsidiaries.

Exemplary health management

We look after the health and well-being of our workforce – if nothing else to help maintain their performance on the job. To do this, we developed a Group-wide programme based on the Corporate Health Policy we adopted in the previous year. The programme comprises, for example, the Health Promotion Award, with which we recognise exemplary health initiatives each year. At 6.6 %, the illness rate at Deutsche Post AG in Germany remains once again at a low level (previous year: 6.3 %). In December 2008 we were awarded the German Corporate Health Award for our corporate health management. The award was granted by the EU Commission and the *BKK Bundesverband* (German federal association of company health insurance funds) as part of the Move Europe campaign. The certification of our occupational health and safety organisation's quality management system was renewed.

Safety at the wheel – traffic safety campaign sees worldwide success

We successfully continued the road safety campaign we started last year. The Global Road Safety Initiative showcased information on safe and considerate driving practices and helped keep the annual accident rate at a consistently low level. The initiative also supported our climate protection programme. The initiative received special recognition in the form of the 2008 DuPont Safety Awards, which it won for the category "most innovative approach". We will continue the campaign until at least the end of 2009.

Job offers for all eligible trainees

We view the training of young people as an investment in the future and an important contribution to our socio-political commitment. In 2008, we hired around 1,600 trainees in Germany. The spectrum of 17 traineeships ranges from courier, express and mail services to studies at *Berufsakademien* (German universities of co-operative education). We were able to offer employment to all eligible trainees in the 2008 class, clearly surpassing the 30% target for trainees in classes 2007 to 2009 set forth in the training pact made with Verdi.

Customised training programme

We foster our particularly capable trainees in our top trainee programme, which is intended for the top 5% of our around 3,800 trainees and *Berufsakademie* students in Germany. We guarantee permanent employment to participants who successfully complete the training programme, creating an additional incentive for performance and commitment.

Perspektive Gelb is our programme to help youths who are finding it difficult to obtain apprenticeships to broaden their horizons with a traineeship at Deutsche Post. As in previous years, the programme provided 300 trainee positions. In the year under review, we hired just under 90% of the 263 participants in the 2007 class.

Innovative human resources marketing

The new initiative Discover Logistics aims to present logistics as an exciting industry of the future and showcase DHL as an attractive employer. In the year under review, 8,500 users from 122 countries signed up for dhl-discoverlogistics.com, an online platform.

Our online career portal has once again proven to be a fitting recruiting tool in the age of the internet. Each year, we advertise more than 16,000 jobs online and our database already includes over half a million candidates. As in 2007, the Swedish market research institute Potentialpark Communication ranked our career portal as number one in Germany and Europe in their Top Employer Web Benchmark 2008 ranking.

Online training offers expanded

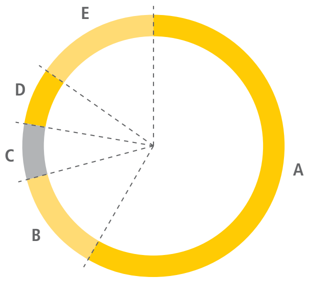
We continued to expand the courses offered on the internet and intranet in the area of continued professional development. Currently, around 50,000 employees are taking advantage of the over 1,000 courses which range from general management skills to specific Group initiatives and our Code of Conduct. The online training platform mylearningworld.net is an important component of our education concept. That is why we will expand the courses offered and we anticipate a considerable rise in demand. Our executive development website is geared towards top managers and executives.

Finding and fostering talent

Finding and fostering qualified and dedicated future leaders within our own ranks is absolutely vital to our company. This is why we developed Group-wide talent programmes to systematically cultivate our top potentials. One of the programmes, for example, gives select candidates the opportunity to complete an executive MBA degree at an external business school. Our international mentoring programme helps junior staff members, in particular our female employees, with professional development.

Traineeships [1), 2)]

A	58.4%	Courier, express and postal services specialists
C	12.6%	Forwarding and logistics services specialists
D	6.8%	*Berufsakademie* students
E	7.1%	Warehouse logistics specialists
F	15.1%	Other traineeships



1) Number of trainees, annual average: 3,839.
2) Continuing operations.

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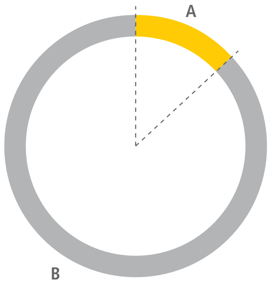
The International Business Leadership Programme is specially designed for managers. In 2008, 135 top staff members met to establish networks, learn about business strategies and further develop their leadership skills.

Our internal talent broker – a position we created last year – assisted in over 150 upper management placement processes, raising the internal placement rate to 86.9% from 83.9% in the previous year. Our goal of filling 90% of all positions in upper management from our own ranks was thereby nearly achieved.

Proportion of women in management [1), 2)]

A	13.5%	Women
B	86.5%	Men



1) Total of 1,042 first and second-level managers as at 31 December 2008.
2) Continuing operations.

A culture of diversity and equal opportunity

The purpose of Diversity Management is to encourage diversity in our workforce, a principle rooted in our seven Corporate Values and the Code of Conduct. We are developing special programmes and other initiatives to ensure equal opportunities for all employees. In this spirit we held, for example, a contest in 2008 on making workplaces accessible for people with a disability, which resulted in a host of examples of successful integration of our disabled co-workers. Furthermore, we have expanded our training programme in order to continue to anchor the idea of diversity in our Group's day-to-day activities.

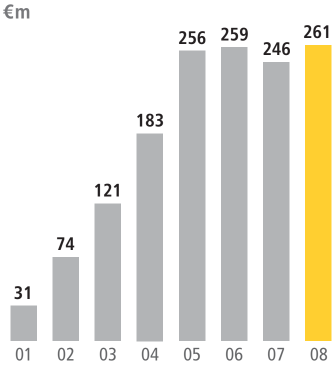
Seeking out and utilising dialogue

We cultivate an open dialogue. It is critical to our success on the road to becoming our customers', employees' and shareholders' first choice. In September 2008, we conducted the second Group-wide employee opinion survey. The response rate was 76% – an 11% increase over 2006. Participants responded to questions concerning customer orientation, employee dedication and active leadership, pointing to existing strengths and potential for improvements. The results will be evaluated at the team level, where they will be discussed and followed up on.

Our "360-degree feedback" also relies on open dialogue. This anonymous process allows managers to learn how supervisors, colleagues and employees assess their leadership skills. In 2008, around 1,300 managers took advantage of this tool for self-reflection and personal development. The target groups will be expanded in 2009.

Savings due to employee ideas [1)]

€m



1) Continuing operations.

Employee ideas with value creation potential

In the reporting period, employees of Deutsche Post AG submitted 214,442 suggestions for making workflows more efficient, reducing repair and energy costs, and improving environmental protection. The benefit to the company totalled €261 million (previous year: €246 million). The focus was on environmental protection. Staff members in the MAIL Division alone developed more than 11,200 ideas on how fuel, electricity, water and gas can be saved. The Group benefited by over €0.6 million from these environmental ideas. In 2009, our goal is to entrench Idea Management even more firmly into the Group around the world.

Sustainability

The largest logistics company with quantifiable climate protection target

The Group's GoGreen programme was developed to establish a systematic approach to achieving our climate protection target. We aim to reduce our carbon footprint for every letter posted, every container shipped and every square metre of warehouse space used by 30% below 2007 levels by the year 2020. As the largest global logistics company, this target makes us the first major company in our industry to set a quantifiable target that includes emissions from outsourced transport services. As an interim target, we are striving to improve our carbon efficiency by 10% by the year 2012.

We determine and calculate our greenhouse gas emissions using a carbon dioxide (CO_2) monitoring process based on the internationally recognised standard Greenhouse Gas (GhG) Protocol. For 2007, CO_2 emissions resulting directly from our own sources and indirectly from purchased energy amounted to some eight million tonnes (previous year: 7.4 million tonnes). CO_2 emissions from outsourced transport services were calculated for the first time and were estimated to be around 23 million tonnes.

GoGreen programme's four measures

How are we to achieve the climate protection target?

- **By using energy-efficient processes and technologies.** Our fleet is regularly renewed and replaced by modern, fuel-efficient vehicles and aircraft. Where possible, transport and loads are bundled, routes planned and networks optimised. We are increasingly using power from renewable sources.
- **With employees who are environmentally conscious.** Employees receive more information and are better trained to lead environmentally friendly lives both at work and at home.
- **With climate-neutral products.** GoGreen items are climate-neutral because the emissions caused by their transport are offset by climate protection measures, such as solar or hydroelectric plants. Indeed these products have found success in the marketplace; in July 2008, Allianz Deutschland AG switched more than 140 million letters a year to GoGreen.
- **By using standardised systems.** We will set up a carbon accounting system as a fundamental basis for measuring the progress of our sustainability strategy. This system will consolidate CO_2-relevant information, such as energy and fuel consumption, and the related performance data of the business units, such as shipment volumes and transport services, and present them in a Carbon Efficiency Index. Furthermore, around 40% (previous year: 35%) of our employees now work with environmental management systems audited in accordance with ISO 14001. We developed the underlying concept ourselves in a six-stage plan.

Procurement, page 80

Our company's performance as reflected by external assessments

Our performance in terms of sustainability was once again monitored by rating agencies in 2008. Sustainable Asset Management gave us a rating of 65/100 (previous year: 74/100). This drop is primarily due to a change in the rating method. The average score for transport and logistics companies was 50 points. The FTSE4Good Index confirmed our company's membership. We also remain in the Advanced Sustainability Performance Index Eurozone maintained by the French rating agency Vigeo and in the KLD Global Climate 100 Index. The Carbon Disclosure Project gave us – the only logistics company included in its Leadership Index of the foremost 67 companies – a rating of 66/100 (previous year: 60/100).

Sustainability Report meets international guidelines

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Supplementary sustainability information on initiatives and key performance indicators, which are not part of the Group Management Report, are described in our second Sustainability Report, which was published in June 2008. It was prepared for the first time on the basis of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, with the additional GRI Sector Supplement for the Logistics and Transport Sector. Based on our own assessment, it achieved the GRI level B+. The next report to be published in the second quarter of 2009 will include key performance indicators for 2008.

Humanitarian aid in the event of crises and as a preventative measure

Our partnership with the United Nations Development Programme (UNDP) and the United Nations Office for the Co-ordination of Humanitarian Affairs (OCHA) still forms one of the cornerstones of our socio-political commitment. We have extended this partnership until 31 December 2010. Our disaster relief organisation comprises three well-trained teams in Singapore, Panama and Dubai, covering the Asia Pacific region, the Americas, the Middle East and Africa, and thus the areas of the world most frequently visited by catastrophe. These disaster response teams co-ordinate logistics for incoming aid at local airports in order to help avoid supply bottlenecks. In 2008, we once again demonstrated our logistical capabilities in a crisis during a three-week operation in Myanmar. Together with the UNDP, we launched the GARD (Get Airports Ready for Disasters) programme in Indonesia in 2008. This training programme prepares airport managers and employees for emergencies.

Since 2006, we have been supporting the United Nations Children's Fund (UNICEF) in the global struggle against infant mortality by providing financial aid and logistical support as well as through our employees' personal commitment. In three focal countries – India, Peru and Kenya – we are helping UNICEF to improve healthcare for children and mothers living in rural areas. In India, we sponsor a programme to combat malnutrition and infant mortality. In Peru, we are helping to set up primary healthcare for pregnant women and children in the indigenous population. In Kenya, we are involved in educating the population about health risks and prevention. A volunteer programme is also run in Kenya. For the third year in a row, we invited 13 company employees to volunteer to spend two weeks there, gathering information and providing assistance. They also support our partnership as UNICEF ambassadors on their return home.

Our social responsibility finds expression in several hundred regional and local initiatives. Following natural disasters in Asia and South America, we transported and distributed aid supplies. Our employees help to educate schoolchildren or join in beach clean-up efforts. We also use Fair Trade products as giveaways and we sponsor school and cultural projects in Bonn, the home of our corporate headquarters.

Education for Germany

We are planning to expand our involvement in education policy. As a founding partner of Teach First Deutschland, an initiative originating from the USA and the UK, we aim to help children and young people to realise their academic potential and strengthen their feeling of self-worth. As a basis for our future partnership, we made an agreement in November 2008. We see this as a contribution towards improving equality of opportunity and quality in the German education system and as a means of securing the next generation of professionals.

Procurement

Lower procurement volume

In 2008, the Group centrally purchased goods and services with a total value of €9.0 billion (previous year: €10.3 billion). Currency effects – largely in relation to the US dollar and pound sterling – reduced the purchasing volume as expressed in euros. We also pooled volumes and as a result achieved better terms. The individual units generally continue to procure their own transport services, although Procurement has a greater involvement than previously.

The following examples show how we selectively pooled expenses and thereby achieved better terms and conditions. The acquisition of personal computers was put out to tender globally. As a result, prices fell substantially and, at the same time, performance improved. We entered into a €350 million European co-operation agreement with Telefónica for telecommunications services outside Germany. Thanks to optimised telecommunications, we anticipate savings of more than €150 million over the next five years.

We fitted some 100 warehouses in North America with more efficient lighting. This reduced electricity costs by more than US$6 million and improved the lighting and hence the working conditions.

Procurement capabilities expanded

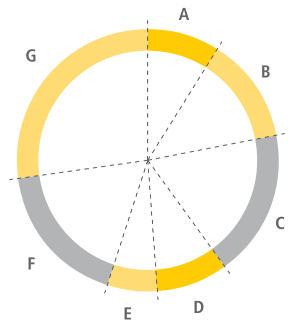
Procurement is a centralised function in the Group. The heads of Global Sourcing and their sixteen product group managers work closely with regional procurement managers and report to the head of Corporate Procurement. This allows us to pool our needs worldwide whilst satisfying the service and quality requirements of internal customers.

In 2007, we began to reorganise Procurement's regional structure. Strategic procurement and operational order processing are increasingly carried out by regional competence centres.

Procurement expenses, 2008

Volume: €9.0 billion

A	9%	Air fleet
B	14%	Ground fleet
C	18%	IT and communication
D	9%	Network supplies
E	6%	Production systems
F	17%	Real estate
G	27%	Services



Our success depends on the skills and calibre of our employees. For this reason, we extended our Fit4 Procurement programme in the year under review and conducted subject-specific training courses focusing primarily on how to manage virtual global teams.

Procurement with greater focus on the environment

The principal procurement initiatives during the year attached a high priority to environmental aspects of our business. For instance, we purchased computers that are certified as environmentally friendly and energy-efficient. In Germany, we switched most of our electricity supply to renewable energies; 100% of the electricity consumed by our corporate headquarters and more than 60% of the electricity consumed by our branches now comes from eco-friendly sources. In addition to the percentages of renewable energy that make up the power supply in Germany, this is realised indirectly by purchasing certificates from the Renewable Energy Certificate System (RECS).

Since 2008, our Green Team – made up of procurement managers from various regions and product groups – takes care of the environmental aspects of procurement. They have drawn up a Green Procurement Policy that requires all our major suppliers to provide information about any activities that impact the environment and to specify their carbon footprint. Furthermore, the team works together with suppliers to develop energy-saving solutions.

Work more closely with customers and suppliers

Strategy and goals, page 33

We have stepped up our co-operation with our internal business partners and increased the First Choice activities. For example, we improved both our internal workflows and the interfaces with internal partners and suppliers. An example is the assignment of temporary staff at the DHL facility in Brussels where we are now able to locate the right specialist more quickly when needed, resulting in lower recruitment costs.

Together with its business partners, Procurement regularly reviews the service quality of our key suppliers in order to identify and eliminate potential weaknesses at an early stage. We rely primarily on strategic partnerships to optimise costs and ensure high quality and flexibility in the supply chain. In the reporting year, nine suppliers were the best at meeting these requirements. We recognised them at our first Global Supplier Day for exceptional, substantially improved and innovative services.

Since 2008, all standard contracts have included our Code of Conduct for suppliers. In this way, we ensure that all the major companies we work with meet our ethical and environmental standards.

Research and development

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

Quality

Mail business remains the technology leader

We use all available technical and operational tools to ensure high-quality and efficient mail processing. In Germany, we maintain a nationwide transport and delivery network consisting of 82 mail centres that process an average of some 70 million items per working day and 33 parcel centres with a handling volume of more than 2.5 million parcels per working day. We have kept the high level of automation in our mail business at over 90%.

Market research and processed complaints tell us that our customers expect us to achieve the highest possible quality standards. Customers evaluate the quality of our services based on whether posted items reach their destinations quickly, reliably and undamaged. To satisfy these requirements, we manage quality on the basis of a system audited by the Technischer Überwachungsverein Nord (TÜV Nord – technical inspection association for northern Germany) and certified for compliance with ISO every year. We also undergo voluntary performance evaluations from Quotas, a quality research institute.

As in the previous year, in 2008 we again attained excellent results in letter transit times within Germany. More than 95% of the letters posted during our daily opening hours or before final post box collection reached their recipients the very next day.

In addition, as Germany's first parcel service provider, we sought review and certification of our internal delivery measurement system for parcel delivery from TÜV Rheinland. The review determined that nearly 90% of the deliveries we pick up from business customers reach their destination on the next day.

For international letters, transit times are specified by the Universal Postal Union. According to European Union (EU) specifications, 85% of all cross-border items posted within the EU must be delivered within three days of posting. Once again, we significantly exceeded this figure, reaching a level of 96% as in previous years.

Our service network is the largest in Germany. The heart of this network is made up of our around 14,000 retail outlets. We also offer our customers some 2,200 points of sale for letter and parcel postage and around 6,200 machines such as Packstations, Paketboxes and stamp dispensers. Thanks to our co-operation with retailers, we have extended our average weekly opening times by one hour to 43 hours compared with the previous year. This figure was only 18 hours per week before we began working with partner outlets. For years, retail outlet customers have been giving us consistently high marks via *Kundenmonitor Deutschland* (customer monitor for Germany), the largest study of retail customer satisfaction in Germany. Our partner-operated locations in particular have received ratings approaching the high ratings of the retail sector. Ninety percent of all customers are served within three minutes, as confirmed by test customers from TNS Infratest, which we hire to conduct anonymous tests of the retail outlets around 30,000 times per year.

We regard working practices that protect the environment as a key yardstick of quality. In Germany, we employ TÜV Nord-certified environmental management systems in both our mail and parcel businesses. As part of our GoGreen initiative, we offer private and business customers climate-neutral shipping options.

MAIL in figures

- Households: 39 million
- Business customers: 3 million
- Retail outlet customers: 2 to 3 million per working day
- Domestic letters: 70 million per working day
- Domestic parcels: 2.5 million per working day
- International items: 7,457 million
- Production facilities: 162
- Retail outlets: 13,650
- Sales points: 2,200
- Packstations: 1,400
- Paketboxes: 1,000
- Postage stamp vending machines: 3,700
- Weekly opening times: 43 hours on average

Sustainability, page 77

EXPRESS in figures

- Countries and territories: 220
- Main hubs: 6
- Servicepoints: 30,000
- Customers: 8.2 million
- Vehicles: 72,000

Express services driven by customer satisfaction

The overriding goal of our quality endeavours in the field of express delivery is to satisfy our customers. Our Group-wide First Choice initiative ensures that we meet customers' high demands for speed and reliability. We are focusing above all on operating performance and customer contact.

The ability to deliver on time is an important quality indicator in the express business. Our central quality measuring programmes allow us to determine the punctuality of deliveries, to analyse delays in individual process stages and to seek ways of accelerating delivery to customers. For this purpose, we have set up global, regional and national teams that work closely together.

For a global network operator, it is equally crucial to maintain a consistently high quality of service. We therefore regularly monitor compliance with our workflows in the quality control centres that we have established worldwide, and we have developed a quality shipment monitoring system that we use to measure and improve our service quality.

In 2008, we made the following quality advances:

- We increased transport capacity on trans-Pacific routes thanks to our stake in Polar Air Cargo, a US airline. This raised our on-time arrival performance to more than 96% for shipments within this network.
- Since our new European hub commenced operations, transit times have been reduced for more than 27,000 city pairs between Europe and EEMEA – for 1,300 routes by a full working day.
- The Global Trade Lane Programme was continued, further optimising performance in key trade lanes. For example, transit time –a key quality indicator – was reduced by one or more days along more than 180,000 origin to destination lanes. Especially from Western Europe to Asia we have seen document transit performance improvements by more than three percentage points.
- Further improvements were made in transit time: An average of 98.8% (previous year: 98.0%) of all shipments were delivered by the appointed time.
- In terms of customer service, DHL Express significantly improved performance indicators for orders, complaints and enquiries made by telephone by 5% over the previous year and compared with competitors.
- Standardised systems and workflows enabled our sales force to increase productivity by more than 30%. Customers were called and visited in person more frequently.

In terms of safety, we have long been at the fore in Europe, and now we are also leading in the implementation of safety-relevant processes and installations. The Transported Asset Protection Association (TAPA) has certified 42 of our locations, more than any other of our European competitors. Globally, over 170 of our locations have already been certified.

Our freight forwarding business focuses on the customer

As freight forwarders, we measure the quality of our services above all in terms of how satisfied our customers are. In 2008, we surveyed more than 15,000 customers in more than 50 countries, both online and by telephone, as part of our First Choice initiative. The results of the survey were incorporated into some 400 specific improvement projects. On the whole, our customers have observed significant improvements in those areas in which they interface with us.

An average increase of 8% was measured in customer loyalty compared with the previous year.

Frequently, we work out specific improvements together with our customers. For instance, we succeeded in reducing processing times for certain brokered activities from eleven to two days for one customer, which led to substantial cost savings on both sides.

Once again, we received a number of awards in 2008. For example, we were named Freight Forwarder of the Year by Australian magazine Lloyd's List DCN for having improved our services through strict quality management and implementation of our First Choice methodology.

In addition, the logistics magazine Supply Chain Asia named us Airfreight Forwarder of the Year 2008.

Focus on customer satisfaction reaps rewards in contract logistics business

Our top goal in terms of quality is to have satisfied customers with which we maintain long-term, close business relationships.

The key to good performance is having dedicated and motivated employees. We intend to achieve this goal with a host of initiatives included in our First Choice programme. To this end, we emphasise active occupational safety programmes at our facilities, use a variety of measures to increase productivity levels, train our employees in process improvement and manage projects professionally.

As a result of these and other programmes, we have reduced the number of work-related accidents compared with the previous year. We held more than 600 process improvement workshops in the year under review in which employees and in some cases customers analysed and improved daily workflows. The overall employee satisfaction level as measured by our employee opinion survey achieved a higher score than in the previous year.

In the year under review, the Supply Chain Business Unit was able to renew over 90% of existing customer contracts.

We approach our customers regularly and systematically in order to ascertain their needs and their level of satisfaction. Our survey results show that in 2008, more than 70% of our customers named DHL as their first-choice provider.

GLOBAL FORWARDING/FREIGHT in figures

Global Forwarding
- Countries and territories: >150
- Locations: >810
- Air freight volumes: 4.3 million tonnes
- Ocean freight volumes: 2.9 million TEU

Freight
- Terminals: >160
- Transport volume: >40 million tonnes
- Full truckloads: 2 million

Brands and business units

Deutsche Post
- Mail Communication
- Dialogue Marketing
- Press Services
- Retail Outlets
- Pension Service

DHL
- EXPRESS
- GLOBAL FORWARDING/FREIGHT
- SUPPLY CHAIN/CIS
- Global Mail
- Parcel Germany

Brands

What our brands do

Well-established and well-managed brands are amongst the most valuable assets of any company, domestic or international, especially in the service sector. They also give us a competitive edge in the labour market. That is why the Group continues to invest in building and expanding its brands. Following the agreed sale of Postbank, we are conducting our core businesses under the Deutsche Post and DHL identities. In 2008, we focused on increasing our customers' awareness of these brands and their respective performance pledges. We also decided to stop using the Exel brand.

Brand profiles more sharply defined

In recent years, we have enhanced our brands' visual appeal, reworked and realigned the corporate design and provided service employees with identifying corporate clothing. Creating independent images has been a priority.

Brand manuals describe how Deutsche Post and DHL are positioned and define the tone required for effective branding. We have developed in-house measures designed to help all employees become active ambassadors for their brand, employing a variety of internal media to raise their awareness and motivation. Furthermore, a multilingual internet platform was created for DHL employees, which uses a modern, interactive approach to encourage enthusiasm for the brand. Any time our customers come into contact with us and our services, they should experience a consistent and positive brand image.

Well-established and valuable

Our businesses face tough competition both domestically and internationally. Clear positioning facilitates purchasing and investment decisions for potential and existing customers.

Guided by market research, we invested some €80 million in the year under review (previous year: €120 million) in further building our brands. In line with its global presence, around half of that was spent on the DHL brand, for which we launched an international campaign with television commercials and advertisements in business-related media. Additional communication channels included sponsoring, direct marketing, trade fair presentations, press relations and sales support.

Customer retention, customer loyalty and brand recognition are amongst the benchmarks for our success. Market studies confirm that Deutsche Post has for years enjoyed awareness of around 95% amongst private and business target groups in Germany. Awareness of DHL continues to rise and currently stands at about 93% amongst international express delivery and logistics target groups.

Brands are a vital factor in creating value. In 2008, the market research institute Semion Brand-Broker valued the Deutsche Post brand at €14,517 million, reconfirming our outstanding position amongst the top five best-known German companies. Factors analysed included financial value, brand protection, brand image and brand strength.

Risks

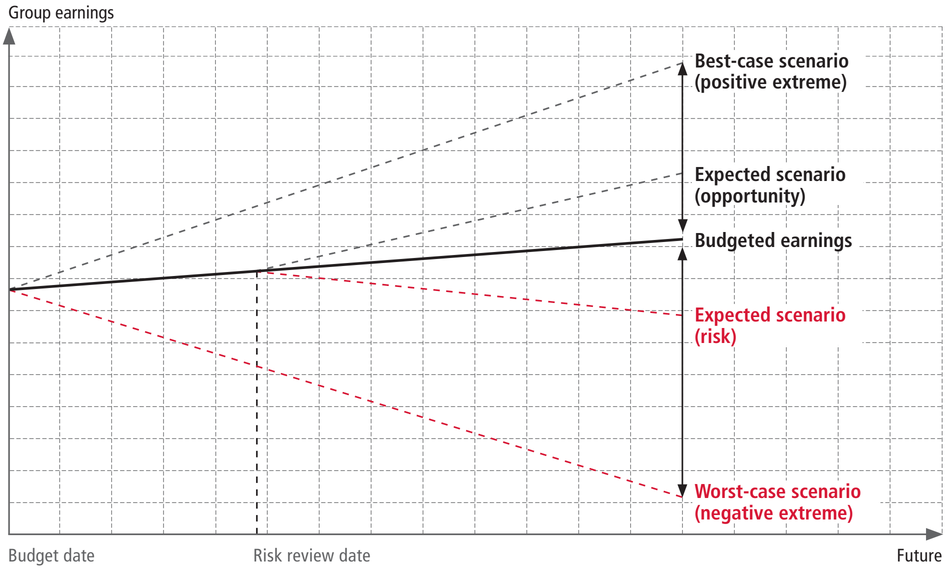
Opportunity and risk management

Group-wide opportunity and risk management

All business involves opportunities and risks. Our Group-wide opportunity and risk management system gives us a head start in dealing with potential changes and events. The process developed to serve this system is built around uniform methods to identify and analyse key trends and to communicate them to management. Clear presentation of opportunities, risks and possible countermeasures helps sustain the company's ongoing success.

Scenario analysis

Goal: Early detection of deviations from target



Opportunities and risks are identified and reviewed across the Group every quarter as part of controlling processes. Internal or external factors can cause positive or negative deviations from target. Major impacts of unforeseen events may trigger an ad hoc announcement.

Opportunity and risk analysis involves investigating major influencing factors as well as compiling action plans to avoid risks and make use of opportunities. Early warning indicators are determined to ensure timely detection of critical situations. The potential impact of a range of factors on Group earnings is evaluated using scenarios and each potential risk is assigned to one or more managers who take appropriate action as necessary.

The Group uses a software application to collate and communicate individual risks. This multi-level reporting system ensures that managers are involved across various layers of the hierarchy, and the process is closely dovetailed with controlling to ensure regular exchange between controlling and management. Central risk control is organisationally part of Corporate Controlling and keeps the Board of Management abreast of key opportunities and risks in each division.

Note 51.1

Postbank's risk control system complies with the bank-specific regulatory requirements in accordance with the *Kreditwesengesetz* (German banking act), the *Solvabilitätsverordnung* (German solvency regulation), the *Liquiditätsverordnung* (German liquidity regulation) and the Minimum Requirements for Risk Management (MaRisk, laid down by *Bundesanstalt für Finanzdienstleistungsaufsicht* or BaFin, Germany's federal financial supervisory authority). Until the agreed sale of Postbank to Deutsche Bank, Postbank remains integrated into the Group's opportunity and risk control process.

The risks set out in the following are those which we presently consider to have a significant potential negative impact on our net assets, financial position and results of operations. They are not necessarily the only risks to which the Group is exposed. Our business activities could also be adversely affected by risks of which we are currently unaware or which we do not yet consider to be material.

Risk categories and specific risks

Industry-specific risks shaped by general environment

Our business success depends critically on the financial health of our customers. The uncertain economic outlook in the wake of the financial crisis poses considerable potential risks for us and for the entire logistics sector. Many factors are at play here, including whether individual countries put together economic stimulus packages and what effect these produce. It is therefore hard to say anything about the duration and scope of the crisis.

The financial impact of any drop in revenue is minimised by our extensive cost-cutting programme. Starting in 2009, the Group aims to lower indirect costs substantially – by €1 billion by 2010. We also plan to increase our share of important domestic and international express and logistics markets. The restructuring of our US express business considerably reduces our cyclical risk in this hard-hit market.

Risks associated with the general business environment primarily arise from the fact that the Group and its subsidiaries provide some of their services in a regulated market. Our statutory exclusive licence was abolished in Germany on 1 January 2008. However, the *Postgesetz* (German postal act) has allowed exceptions enabling competitors to operate within the weight and price ceilings laid down in our exclusive licence from January 1998 onwards. As a result, around 55% of the revenue generated by competitors in 2007, the last year of the exclusive licence, was within the weight ceilings stipulated in the exclusive licence. By the end of the year, the regulatory authority (*Bundesnetzagentur* – Federal Network Agency) had issued licences to around 2,500 competitors.

On 7 November 2007, the regulatory authority announced a benchmark decision specifying the conditions that apply from 2008 until the end of 2011 to regulation under the price cap procedure for mail prices requiring approval. This stipulates the key factors applicable to mail prices as being the general rate of inflation and the expected productivity growth rate for Deutsche Post AG. Prices have to be lowered if the inflation rate in the reference period is less than the productivity growth rate specified by the regulatory authority. Mail prices requiring approval remain largely unchanged in 2009. The regulatory authority accepted an application from Deutsche Post AG to this effect on 13 October 2008.

The third EU Postal Directive came into force on 27 February 2008. The Directive requires most EU member states to open up their markets by 2011, although the nine most recent members plus Greece and Luxembourg have an option to delay opening their markets until 2013. Until then, the previous limits continue to apply across the EU, with reservable services restricted to a maximum of 50 grams or two-and-a-half times the standard letter price. It is now possible to plan with certainty for the future regarding the date by which all national monopolies in Europe must fall.

Whilst liberalisation of postal markets poses risks for Deutsche Post AG due to increased competition in Germany, it also opens up new opportunities in other European postal markets. In 2008, cross-border mail in Europe between Deutsche Post AG and 14 other Western European postal operators was governed by the REIMS III agreement and with another eight Eastern European postal companies by the REIMS EAST agreement. REIMS III is the successor to REIMS II and came into force retroactively from 1 January 2008.

Discussions continue regarding the extent to which postal services should be exempt from value-added tax (VAT). An amendment to the *Umsatzsteuergesetz* (German value-added tax act) currently in preparation will reduce the VAT exemption for Deutsche Post AG. A bill to this effect was adopted by the German cabinet on 24 September 2008 and is set to become law on 1 January 2010. Under the new rules, a VAT exemption will only apply to specific universal services pursuant to the EU Postal Directive that are not subject to individual agreement or provided on special terms, for example, at discount rates. The VAT exemption is to apply to any enterprise providing all of these services nationwide in Germany. The German legislative process may be affected by a European Court of Justice (ECJ) decision expected for the second quarter of 2009. On 15 January 2009, the ECJ Advocate General delivered her opinion in the case concerned, which relates to the VAT exemption for postal services in the United Kingdom. The German bill has yet to be passed by the Bundestag and Bundesrat.

Concurring with Deutsche Post AG, the regulatory authority considers that the prices it approved are net prices not including VAT. VAT could therefore be added to the approved prices. However, it cannot be ruled out that the application of VAT would lead to a decrease in revenue and earnings.

At the European level, the scope of the VAT exemption for postal services is also the subject of infringement proceedings initiated against the Federal Republic of Germany by the European Commission on 10 April 2006. The Commission announced in its decision at the proceedings on 24 July 2007 that the VAT exemption for postal universal services provided by Deutsche Post AG was too broad and called on the German government to amend the applicable law. Germany responded to the European Commission at the proceedings that it considers the current VAT exemption to be in compliance with applicable law.

The Federal Republic of Germany is planning a major revision of its *Bundesdatenschutzgesetz* (BDSG – Federal data protection act). Parliamentary hearings have now begun following a cabinet resolution in December 2008. Under the current Act, postal addresses contained in data relating to groups of persons and “compiled in lists or otherwise combined” may be used for advertising purposes except where consumers explicitly withhold consent. If the revision leads to significant restrictions, it will directly affect our marketing business in Germany and may cause substantial loss of revenue and earnings.

Limiting business strategy risk

By agreeing to sell a stake in Postbank and withdrawing from the US domestic express market, we are strategically repositioning ourselves to concentrate in the future on our core competencies of mail, express and logistics.

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The goal of the MAIL Division in the liberalised German mail market is to minimise losses in revenue and earnings. Competitors primarily aim to entice business customers away from Deutsche Post. The division plans to secure its revenue through rigorous customer focus. We continue to improve on our already very high service quality. In 2008, in the course of deregulation, we gained greater flexibility in pricing mail comprising more than 50 items, allowing us to retain or win back key accounts. Apart from competition, revenue losses also loom as a result of ongoing digitisation. Conventional mail is increasingly giving way to electronic forms of communication, and we are responding by incorporating electronic communication into our own range of products and services.

The commercial situation of the EXPRESS Division varies from region to region. The division has expanded its international activities outside North America. In the US domestic market, however, fierce competitive pressure posed too great a risk for the Group. The infrastructure there was costing over US$5 billion a year, whilst express shipment volumes were falling. Combined with the global economic downturn, the situation was no longer tenable. We therefore announced our withdrawal from the domestic express business in the USA on 10 November 2008. This will cut annual costs to below US$1 billion and significantly reduce the risks for our express activities in the long term. We will refocus our US operations fully on the international express business. Restructuring will cost some €3 billion spread over two years. The majority of this amount has already been recorded in 2008.

The LOGISTICS Division was restructured in March 2008, creating two new divisions: GLOBAL FORWARDING/FREIGHT focuses on activities with low capital commitment. The division brokers and optimises transport capacity. SUPPLY CHAIN/CIS offers customised logistical and industry solutions at every link in the supply chain, plus outsourcing solutions for purposes such as address and document management. Both divisions aim for organic and profitable growth. This depends on the financial health of our customers and trading partners, who have recently suffered from the economic slowdown, and some of whom could even be threatened with insolvency. We endeavour to contain the effects of this development by improving processes and cutting costs. We are also expanding our service portfolio for new sectors. The crisis also harbours the opportunity, however, that customers may be more ready to outsource their requirements. Rapidly growing cost pressure on our customers could boost this tendency.

Our answer to risk: quality

Our global operations require a highly advanced operating infrastructure. Posting and collection, sorting, transport, warehousing, delivery and information technology must all meet high standards. Speed and reliability are key success factors in meeting our excellent standards of quality.

In the MAIL Division, for example, extensive automation ensures proficient and consistent service. Since downtime can severely disrupt the transport of mail items and merchandise, key infrastructure – sorting and conveyor systems, air hubs and data centres – is continuously monitored. Detailed process, emergency and contingency plans minimise the probability of business interruptions and of major financial consequences.

The EXPRESS Division is the market leader in the international express business in all markets outside the US. Whilst we have pulled out of the US domestic market, US international business remains a vital part of our global express network. At the same time, we are substantially reducing our infrastructure costs there. We illustrate the financial impact of these changes in the paragraphs on business strategy risks. Progress on the restructuring is monitored on an ongoing basis; it is expected to be finished by mid-2009. Transitioning our international customers to a standardised IT platform is going to be a key challenge during the first two quarters of 2009. We also aim to reduce costs and raise productivity outside the United States in order to offset the financial impact of the recession and the fierce competition. Moreover, we plan to make greater use of cross-divisional synergies and to improve our range of products and services.

Satisfied customers are a core goal for all divisions. Loss of customers could jeopardise the attainment of our revenue and earnings targets. In the logistics business, the risk of losing major accounts is particularly significant. Under our First Choice programme, we are rigorously aligning processes to customer needs. At the same time, we are also aiming to improve cost efficiency, which in some instances requires capital expenditure. Investment decisions in excess of €10 million are made by the Corporate Investment Committee. A lower threshold of €5 million applies to capital expenditures in Global Business Services. Approved projects are closely monitored, allowing material risks to be detected early at the Board level and appropriate action to be taken.

Sustainable practices counter environmental risks

Monitoring developments in environmental policy is an integral part of the Group-wide risk management process. We do not currently know of any environmental risks with significant potential financial implications for the Group over the period to 2011. During 2008, however, the debate advanced within the EU on the adoption of an emissions trading system for air transport and we expect that air transport will be included in emissions trading by 2012. The financial impact will depend heavily on how the emissions trading system is set up. It also remains to be seen what volume of emission allowances will be needed and at what price they will trade. It is therefore not yet possible to estimate reliably the specific financial consequences of emissions trading for air transport in Europe. In our opinion, however, the Group is generally well placed to minimise the financial risks by virtue of its GoGreen programme.

Sustainability, page 77

Strong position in the competition for talent

Like any other company, we have to compete for highly qualified specialists and managers. Workforce fluctuation can lead to losses of expertise and customer relationships. Action is taken on various fronts to counter this risk.

We promote initial and further training for our workforce and identify outstanding managerial talent. Upcoming talent is nurtured in various ways, including through international educational opportunities, the Group's own university and challenging responsibilities. We offer performance-based pay packages with performance assessment which is standardised Group-wide, linked to human resources development activities tailored for each employee target group. This enhances the Group's attractiveness overall along with our prospects in the competition for highly qualified specialists and managers. We aim at all times to be the first choice for customers and our workforce. Our success in this regard is repeatedly borne out by Group-wide employee surveys. An element of financial risk remains despite these measures, although we do not estimate this risk to be great.

On 30 January 2009, we discontinued our domestic express business in the USA and are now concentrating on international business in that market. We began the restructuring process in November 2008, which will further reduce the number of employees there by 9,500. As reported in connection with business strategy risks, the overall cost of the restructuring, including severance payments, will run to some €3 billion and the majority of this cost has already been recorded in 2008.

IT security is indispensible

Information technology is a key success factor for our logistics and service processes. Systems must be accessible and available at all times; unauthorised access to data and data manipulation must be prevented, and it is important to ensure that software is not delivered with defects or too late.

Various precautions are taken to minimise the probability of occurrence for IT risks. We will have two main data centres in future – in Malaysia and the Czech Republic. Important applications and data are replicated between our data centres in real time. We have detailed emergency plans and disaster recovery centres in place. Due to the use of redundant systems, the risk of major business interruptions is considered to be low despite the closure of our data centre in the USA.

We continuously improve our security mechanisms to fend off unauthorised data access and data manipulation. Our IT is organised with data security as a prime objective. Plans and strategies to this end take into consideration the workforce, networks and applications. The success of IT security depends critically on employees observing security guidelines and we have therefore acted to raise risk awareness. Amongst other things, we have set up an Information Security Knowledge Centre – an interactive platform with key information on IT security. Thanks to the action taken, we do not expect any significant financial consequences from this risk.

Our services require the use of frequently updated and in some cases newly developed software. Delays and functional deficiencies can never be entirely avoided, however, when developing complex new software and putting it into operation. This risk is reduced by an efficient project management system spanning the entire process from software design to introduction. We expect only minor financial impacts in individual business units.

Management of financial risks

Information on financial risk management is provided in the Notes.

Note 51.2

Risks from pending legal proceedings

Information on legal risks is provided in the Notes.

Note 54

Other risks faced by the Group

Our insurance strategy separates insurable risks into two categories. The first category comprises risks with a high probability of occurrence and low individual cost. These risks are insured via what is known as a captive – an insurance company owned by the Group, which is able to cover such risks at a lower cost than external insurers. This category accounts for the majority of insurance expenses. Besides achieving major savings, this also makes for cost stability as the Group is unaffected by changes in the availability and price of outside insurance. The second category consists of risks that have a low probability of occurrence but could entail high losses, such as air transport risks. These risks are transferred to external insurers.

Natural disasters or accidents involving aircraft could have a negative impact particularly on our air-based express operations and the cost of external insurance. As most of our insurance expenditure is incurred in relation to events that have a high degree of predictability – that is, a high probability of occurrence but low individual cost – the effects of such disasters on the size of insurance premiums or on the availability of insurance to cover them are limited.

Audits are currently under way at DHL Express (USA) and Airborne Inc. in line with the unclaimed property laws in the United States. Under these laws, unclaimed property must either be returned to its rightful owner or the home country of the most recent owner or, if this is not known, the country in which the company is domiciled.

Note 26

In the course of its expansion, the Group has recognised significant amounts of goodwill. According to IAS 36, goodwill must be tested for impairment at least once a year. If goodwill is determined to be impaired, an impairment loss must be recognised.

As a service provider, we do not conduct research and development in the narrower sense. There are therefore no material risks to report in this area.

Overall assessment of the Group's risk position

The Group faces significant risks relating to general operating conditions and liberalisation of the German mail market. The global financial crisis and fierce competition are also capable of significantly affecting Group earnings. The majority of the cost of restructuring the US business has already been recorded in 2008.

In the past financial year, there were no identifiable risks for the Group which, individually or collectively, cast doubt upon the company's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future. For a description of the risk position of Postbank please also refer to the Postbank Group's risk report.

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Further Developments and Outlook

Report on post-balance sheet date events

John Allan to leave the company

Chief Financial Officer John Allan (60) has decided to leave the company of his own volition. Following the extension of his contract in early 2008, Mr Allan will make use of a contractual option enabling him to end his current term of office on 30 June 2009.

Agreement on pan-European telecommunications services signed with Telefónica

On 7 January 2009, Deutsche Post World Net entered into a services agreement worth nearly €350 million with Spanish telecommunications provider Telefónica. The telecommunications company will provide mobile, fixed voice and data services to 125,000 company employees at 2,400 sites in 28 European countries outside Germany, starting in spring 2009. We expect to save over €150 million over the five-year term of the agreement.

Structure of Postbank contract adjusted

On 14 January 2009, Deutsche Post AG and Deutsche Bank AG agreed on an improved transaction structure for Deutsche Bank's acquisition of Deutsche Postbank AG shares based on the previous purchase price. The transaction was closed on 25 February 2009. The contract now comprises three tranches. Deutsche Post received the proceeds of the whole transaction on the day of the closing and thus three years earlier than expected. The cash value of the transaction is now €4.9 billion.

As a first step, Deutsche Bank acquires 50 million Postbank shares – corresponding to a stake of 22.9% – in a non-cash capital increase. Upon entry of the capital increase in the commercial register, Deutsche Post acquires a shareholding of around 8% in Deutsche Bank. Deutsche Post can dispose of over half of this holding from the end of April 2009; the other half may be disposed of from mid-June. It has been agreed that mechanisms designed to avoid market disturbances will be applied to any such sales. A certain amount of hedging has been carried out for the interim.

At the same time, Deutsche Bank fully underwrote, in a second tranche, mandatory exchangeable bonds issued by Deutsche Post. After three years, these bonds – including interest payments accrued – will be exchanged for 60 million Postbank shares, or a 27.4% stake. The bonds are zero-coupon bonds with a 4% accrued interest per year. The cash value of the bonds at the time of the closing is €2.6 billion.

Put and call options remain in place for the remaining 26.4 million shares (or 12.1%). Deutsche Bank pays a cash collateral for the options amounting to the cash value of €1.1 billion at the time of the closing. The exercise periods are now set between the 36th and 48th month after closing. Through the collateralisation of the put option and the subscription to the mandatory exchangeable bonds, Deutsche Post receives €4.2 billion in direct liquid funds, of which €3.1 billion were received by Deutsche Post on 2 January 2009 and a further €1.1 billion on 25 February 2009.

Report on expected developments

Global economy in recession

At the start of 2009, the global economy finds itself in a major recession. Governments and central banks on both sides of the Atlantic have taken extensive action to counteract the negative impact of the financial market crisis on the economy but uncertainty remains unusually high. The International Monetary Fund (IMF) expects global economic output to grow by only 0.5% in 2009 – recession level for the global economy. In this climate, global trade is likely to shrink or grow only slightly (IMF: –2.8%, OECD: 1.8%).

Growth forecasts

	2008	2009
Global trade volume	4.1	–2.8
Real gross domestic product		
Global	3.4	0.5
Industrial nations	1.0	–2.0
Emerging markets	6.3	3.3
Central and Eastern Europe	3.2	–0.4
Former CIS states	6.0	–0.4
Emerging markets in Asia	7.8	5.5
Middle East	6.1	3.9
Latin America and the Caribbean	4.6	1.1
Africa	5.2	3.4

Source: IMF, World Economic Outlook, October 2008; update, January 2009.

In the United States, even the economic measures planned by the government hardly seem sufficient to prevent a decline in GDP (IMF: –1.6%, OECD: –0.9%, Postbank Research: –1.1%).

Due to its high dependency on exports, the Japanese economy is likely to be badly hit by the global downturn. It faces a slump of between –0.1% (OECD) and –3.1% (Postbank Research). In China, GDP is expected to continue its advance but, at 6.7% (IMF), at a clearly slower rate than in previous years.

The downswing in the euro zone looks set to continue. Over the course of the year, the ECB's substantial interest rate reductions, the lower oil price, the weaker euro and the economic measures planned by the countries should gradually start to take effect. Nevertheless, GDP is expected to fall for the first time in the history of the monetary union (European Commission: –1.9%, Postbank Research: –1.6%).

In all likelihood, the German economy will also contract substantially. This will notably affect exports and corporate investments and, as a consequence, jobs and private consumption. Opinions about whether and how far GDP could fall vary widely (German government: –2.25%, Kiel Institute for the World Economy: –2.7%, Postbank Research: –1.9%).

The situation on the oil market will be determined by the extent of the global recession. The average oil price is expected to fall drastically in 2009 compared with the previous year.

The US Federal Reserve is likely to leave its key interest rate at its extremely low level this year.

The combination of a weak economy and falling inflation has given the ECB scope to reduce its key interest rate further to 2% at the beginning of the year. The ECB will probably lower its interest rates still further. By contrast, market interest rates are likely to increase moderately.

The mail business in a liberalised market

Demand for mail in Germany depends on the economic climate and the extent to which electronic media continue to take the place of the conventional letter. We expect the domestic market for mail communication to continue shrinking. We have also prepared ourselves to lose market shares to competitors.

The German advertising market likewise takes its cue from the economy, meaning that stagnation can be expected in 2009. Although the trend towards targeted advertising is likely to continue, companies will increasingly resort to the more economical forms of advertising that we offer. We intend to consolidate our position in the liberalised market for paper-based advertising and to expand our share in the advertising market as a whole.

The market for press services is likely to contract somewhat because of the increasing use of new media. We are seeking to maintain our revenue position here too by drawing on rising subscription figures and higher average prices.

The expected economic downturn will also impact the international mail market. We plan to counteract this trend by tapping into new areas of business related to our core competency – mail delivery.

In the parcel market, two current trends will continue. For business customers, pressure on traditional mail-order companies will persist with shipment volumes expected to drop. The private customer segment will benefit from e-commerce, an area in which we intend to protect our position.

Developing the international express business

The sustained contraction of the global economy can be expected to have a substantial impact on the international express market in 2009. The downward trend is likely to be felt the most in terms of international shipping volumes and in Europe. In Asia and the emerging markets, the market is also not likely to grow as robustly as in recent years.

In the United States, we will continue to implement the agreed restructuring measures and will maintain a network of some 100 stations for our international services even after our exit from the domestic express business. Service will actually improve for more than 70% of international shipments to and from the major urban centres, where we shall offer the latest collection and earliest delivery times of any of our competitors. Moreover, we will continue to develop our international range of services.

Preparations for the launch of cargo carrier AeroLogic in the summer of 2009 are making good progress. AeroLogic is a joint venture between DHL Express and Lufthansa Cargo whose offices will be located at Leipzig/Halle Airport. Flight operations will commence in the summer of 2009 with new Boeing 777 aircraft, all fully capable of fulfilling the company's performance and environmental standards. During the week, the cargo carriers will fly to Asia and at the weekends they will supplement the Lufthansa Cargo fleet. This arrangement benefits both partners by increasing capacity and flexibility. Customers benefit from shorter transit times and lower per-unit costs.

We have ordered six Boeing 767 cargo planes, particularly for our connections between the USA and Europe and the emerging markets. Three of the planes will be delivered in 2009 and commence operations under DHL Air UK.

In Asia, the new northern Asia hub in Pudong will add to capacity in Hong Kong starting in 2010 and will cover additional geographical regions, such as the extensive area encompassing the Yangtze River delta.

For customers with less time-critical shipping requirements who nonetheless wish to take advantage of our reliable service, we have developed a new product called Economy Select. In 2009, we will offer this product on major trade lanes, particularly those to and from Europe.

Expanding freight forwarding business services for SME

In the coming year we plan to implement suitable solutions that will limit the impact of the anticipated economic downturn and gain additional market share. As part of this process, we will focus in particular on the important customer group of small and medium-sized enterprises (SME). We are aware that in times of economic difficulty, it is especially these customers who need a competent logistics service provider to help reduce haulage distances and transport costs. We will also expand our competence in certain industries. In 2009, we will focus on the transport of perishable goods such as flowers and food, the pharmaceuticals industry and the technology sector.

Our First Choice initiative has shown us the progress that can be achieved with the help of dedicated employees and methodical processes. Following the GLOBAL FORWARDING/FREIGHT Board, all managers in our worldwide organisation will have successfully completed the appropriate qualification programmes by June 2009. Henceforth, a certificate of completion will be a prerequisite for our employees to be promoted.

We will also be supporting our employees in gaining specialist qualifications even more energetically than in the past. In 2009, we will establish a Forwarding Academy for this purpose, which will link employees all over the world via online training programmes and forums suited to their level of competence.

Increase in contract logistics performance

In order to maintain our success in the current economic climate, we are working even more closely with our customers, reviewing options for additional cost reductions and searching for new ways to improve our customers' businesses in the various industries and regions where we operate.

We have launched a number of key initiatives that will help improve our financial performance in the coming years. For instance, we will optimise operational workflows, make supporting functions more efficient, optimise operating assets and continue to efficiently manage the portfolio. We intend to use these measures to further improve our earnings, working capital and cash flow as part of our Roadmap to Value.

Business development expectations

Since the fourth quarter of 2008 global economic conditions have deteriorated in an unprecedented way across all industries and regions. We are preparing our businesses to cope with this downturn, the length of which is difficult to determine.

To mitigate adverse effects from materially lower business volumes our initiatives aim at reducing operating costs and also all indirect and overhead costs. We will also continue to rigorously manage the business to maintain a solid cash position by applying a tight policy on capex and M&A as well as further improving our working capital position.

The restructuring of our US express business is being executed according to plan. At this point in time, we have no reason to deviate from our target of reducing the loss of that business on an annualised basis to no more than US$400 million by the final quarter of the year 2009.

At the time of preparing the Group Management Report, economic visibility is currently limited, which makes it difficult to provide reliable guidance for the Group and its divisions. We will issue fresh guidance when economic prospects become clearer.

Exit from domestic US express business and restructuring

As announced we withdrew from the domestic US express business at the start of 2009 and will restructure our organisation accordingly. We will also streamline our management structure for sales and production in our MAIL Division with a view to improving our process management, optimising our costs and harmonising our approach to the customer.

Lower capital expenditure planned

We plan to make fewer investments in 2009. Property, plant and equipment will again attract the larger portion of spending, and more than three quarters will be allocated to the MAIL, EXPRESS and SUPPLY CHAIN/CIS divisions.

Funds allocated to the MAIL Division will be slightly higher than in the previous year and are planned predominantly for the domestic mail and parcel business. We plan to purchase machinery for processing standard and compact letters and flat mail more efficiently. In addition, we intend to install additional Packstations and continue modernising our retail outlets.

In the EXPRESS Division, we will significantly scale back capital expenditure – in view of the foreseeable economic slowdown, amongst other things – and concentrate on the Europe and Asia Pacific regions. We will continue to expand and upgrade our hubs and service centres in Europe and Asia to improve our infrastructure. We will also focus on our aircraft fleet, as before.

In the GLOBAL FORWARDING/FREIGHT Division, capital expenditure in 2009 will be below the prior-year level. In the Global Forwarding Business Unit, a major project is planned that will involve replacing an IT application. We also want to improve building facilities and IT infrastructure, especially in Asia and North America. In the Freight Business Unit, we plan to expand our branch network, improve IT equipment and purchase additional security systems. These measures will focus primarily on Germany, Benelux and Scandinavia.

Capital expenditure will also decline in the SUPPLY CHAIN/CIS Division, with the majority of funds being allocated to the Supply Chain Business Unit. We will develop customised solutions for expanding our business with existing and new customers with a focus on the United Kingdom, continental Europe and the USA. In the Corporate Information Solutions Business Unit, we will develop customised solutions for the printing business and buy new printing machines, particularly in Germany.

Cross-divisional capital expenditure is expected to continue declining in 2009. As in the previous year, such investments are mainly planned for new vehicles and IT systems.

Electronic procurement for all of Europe

Over the coming year, we aim to increase our use of IT applications that can make the procurement of goods and services more efficient. Our Global eProcurement Tool GeT, which so far has been used primarily in Germany and the United States, is also to be made available to users all across Europe in the future. In addition, we intend to continue pooling our operational procurement activities.

Opportunities

Opportunity management integrated into control processes

Risks, page 85

Opportunity management is integrated into the Group-wide opportunity and risk control process. The organisation of this process is described in the risk report.

Seizing business and environmental opportunities

It is currently hard to say how the general economic situation will develop and what financial impact it will have on our Group. We are safeguarding against negative impacts by improving workflows and cutting costs. Beginning in 2009, we aim to lower indirect costs by €1 billion by 2010 in a Group-wide cost-cutting drive. We are also adding to our portfolio of services for new sectors to reduce sectoral dependence.

The current difficult economic situation also harbours opportunities in that it may make customers more willing to outsource. We expect that we will benefit in a weak economy from our leading market position and the trust vested in our customer relationships. As trust is important in a crisis, we expect that customers will prefer to stay with the provider they know.

Awareness of climate change and environmental responsibility is increasing. Customers are interested in environment friendly products and even in setting up entire supply chains that are ecologically sensitive. We are conscious of our responsibilities as the largest company in our industry, and as such we have developed climate-neutral products under our Group-wide GoGreen programme.

Sustainability, page 77

Strategic realignment

We have begun to reduce the size of our shareholding in Postbank and have set a new course for our express activities in the United States. We will focus in the future on our core businesses of mail, express and logistics.

Our activities are geared to organic growth, capitalising on the global platform and the presence we have built up in growth regions in recent years. The roadmap for the future is thus clearly defined. All necessary steps are in place to position the Group for future growth. Our Roadmap to Value capital markets programme is gaining traction and will boost the efficiency of our processes and our earning power. This will help us to safely weather the international economic crisis.

Capital Market, page 39

We accept our social responsibilities through, amongst other things, disaster aid, our partnership with UNICEF and the GoGreen programme. These programmes are not designed to reap short-term gains, but to enhance awareness of and trust in the Deutsche Post and DHL brands. The sustainability of our products and services will assume long-lasting importance as a marketing factor both for our customers and their own.

Divisions rich in opportunity

The MAIL Division can build on excellent standards of quality to hold its own against competitors and regain lost customers. A broad range of multi-channel communication solutions holds added scope for further growth. These include consulting services in dialogue marketing, value-added services based on mail, and transport and international delivery. By continuously improving the cost of our transport and delivery network and making the cost structure more flexible, we are able to respond faster to changes in mail volumes. Providing automated points of sale gives customers easier access to our services whilst reducing our costs. We can also use the internet to make our products and services even more attractive.

Page 81

Whilst the EXPRESS Division restructures its US activities, we continue to extend our market lead in the international express business. We are developing a uniform range of international time-definite and domestic day-definite express services in Europe for 2009. Our expansion in Eastern Europe is going well. The Asia Pacific region remains a growth engine, albeit with declining growth rates. We run domestic express businesses profitably in various parts of the world. We also safeguard our processes with global network standards and exercise rigorous cost control.

The GLOBAL FORWARDING/FREIGHT Division boasts a broad service portfolio and worldwide multimodal transport services. Individual sectors may provide additional potential for growth. We expect to reap savings by concentrating on strongly frequented routes and making selective use of carriers. Precise targets are set for productivity and workflow improvements to force down direct operating costs. Growth prospects in the logistics business are buoyed by capacity expansion, our range of industry solutions and improved processes.

The SUPPLY CHAIN/CIS Division views the currently adverse economic climate as an opportunity to make use of companies' greater readiness to outsource. We help companies streamline their logistics processes and cut costs. As leading providers in contract logistics, we have the experience and strong competitive edge needed to further expand our business. The corporate information solutions segment also presents growth opportunities in the form of rising demand for global and integrated solutions. We are making ourselves less reliant on the banking, financial services and legal sectors and are developing services for other industries.

Leveraging synergies to boost profitability

Combining cross-divisional services across the Group worldwide means in-house service units can work closely together with business units and tap into available synergies. Major savings can be gained by aggregating procurement volumes. We are consolidating our IT infrastructure, closing the data centre in Scottsdale, Arizona, and transferring its operating functions to the Prague and Cyberjaya data centres. We are also creating global IT functions focusing on customer relationships and project implementation. The potential annual savings in IT run into the triple-digit millions.

CORPORATE GOVERNANCE

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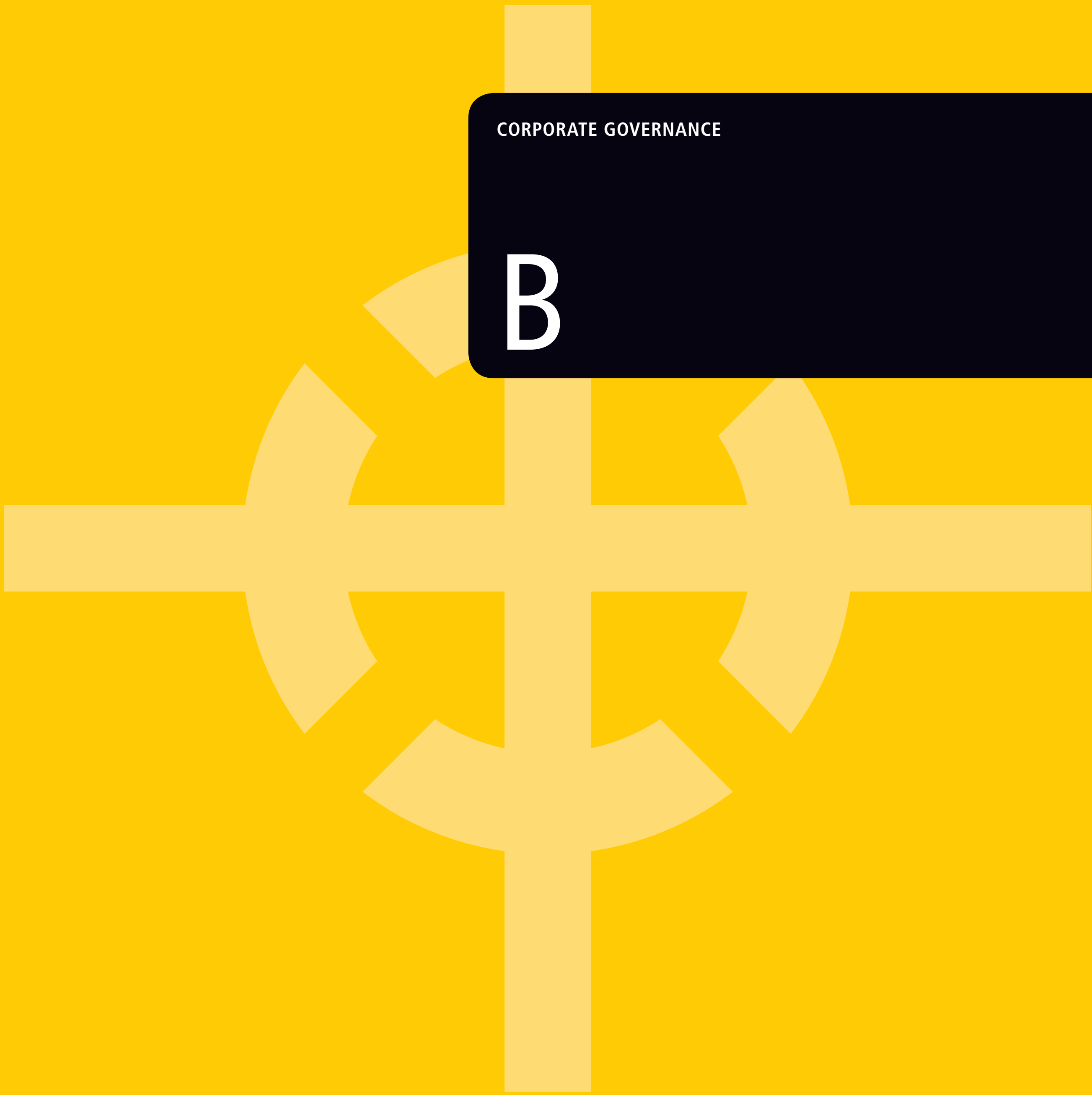


The NIZA NAVIGATION SYSTEM (NiZA is the German acronym for “navigation in delivery and collection”) will be installed in a total of 450 DHL Parcel Germany delivery vehicles by summer 2009. The system ensures that new employees not yet familiar with the area can find their destinations, and it will enable DHL to reduce labour costs, fuel consumption and CO_2 emissions.

Symbol: Load centre of gravity

Report of the Supervisory Board

Prof. Dr Wulf von Schimmelmann, Chairman

Dear shareholders,

The Group continued to expand its leading position in nearly all areas of business and is well equipped for the future.

The reporting year was marked by two decisions that represent a turning point in our history. In September 2008, Deutsche Post agreed to gradually sell its stake in Postbank to Deutsche Bank. In the future, the Group plans to concentrate on mail, express and logistics activities and to exit the financial services sector. We also decided to restructure the US express business, making the final decision in November 2008 after having begun weighing our options in May. We discontinued domestic air and ground transport operations in the US express segment as at 30 January 2009. However, we will continue offering international express services in the United States.

Our strategic corporate initiatives – Roadmap to Value, First Choice and GoGreen – have been well received. These programmes have already led to encouraging progress in increasing enterprise value, customer satisfaction and environmental protection.

Advising and overseeing the Board of Management

The Supervisory Board again devoted close attention to the strategic focus and business performance of the Group in all areas in 2008. We discussed in detail the restructuring of the US express business and the sale of Deutsche Postbank AG. Other topics of particular significance were the effects of the financial crisis on the company's transactions, the company's participation in the capital increase of Deutsche Postbank AG, the progress made by our Roadmap to Value capital markets programme and personnel changes in the management of Deutsche Post AG.

All major decisions affecting the company were discussed in detail with the Board of Management, which informed us in a timely and comprehensive manner on all key issues relating to planning and business development. We received regular reports on the risk situation and risk management, major business transactions and projects in the individual divisions as well as on strategic measures and the company's future direction. In particular, all measures requiring the consent of the Supervisory Board were discussed in depth. The Board of Management kept the chairman of the Supervisory Board continuously updated on all key transactions and major impending decisions, both at the Supervisory Board meetings and between meetings. We prepared our approval for business measures in the relevant committees. The chairs of the committees reported regularly on the committees' work at the Supervisory Board meetings.

Nine meetings during the reporting period

Five meetings were held in the first half of the year and four in the second half. No member of the Supervisory Board was absent from more than half of the meetings. At all of its meetings, the Supervisory Board concerned itself with issues of corporate strategy, the business performance of the divisions and risk management.

In a special meeting held on 18 February 2008, the Supervisory Board accepted the resignation of Dr Klaus Zumwinkel from his post as Chairman of the Board of Management and appointed Dr Frank Appel as the new Chairman of the Board of Management.

At the financial statements meeting held on 4 March 2008, we discussed and approved the annual and consolidated financial statements for 2007, following in-depth discussions between the auditors and the Finance and Audit Committee and the chairman of the Supervisory Board. We also reviewed the efficiency of the Supervisory Board's work based on an updated questionnaire. Further topics involved the new appointments of Bruce Edwards and Hermann Ude as members of the Board of Management and the related adjustment of business responsibilities. The LOGISTICS Division was split into Global Forwarding, Freight, headed by Hermann Ude, and Supply Chain, Corporate Information Solutions, headed by Bruce Edwards. Responsibility for Global Mail was transferred to the MAIL Division, which is headed by Jürgen Gerdes. We also approved an increase in our stake in Williams Lea at this meeting.

At the meeting on 5 May 2008, we dealt in detail with the situation of the US express business.

The terms of office of the employee representatives appointed to the Supervisory Board by the assembly of delegates pursuant to the *Mitbestimmungsgesetz* (MitbestG – German co-determination act) commenced upon the close of the AGM of Deutsche Post AG on 6 May 2008. At the Supervisory Board meeting directly following the AGM, Andrea Kocsis was re-elected deputy chair of the Supervisory Board, deputy chair of the Executive Committee and chair of the Personnel Committee. Wolfgang Abel was appointed member and deputy chair of the Finance and Audit Committee, Thomas Koczelnik and Helga Thiel were appointed members of the Finance and Audit Committee, Rolf Bauermeister and Stefanie Weckesser were appointed members of the Executive Committee, Thomas Koczelnik was appointed member of the Personnel Committee and Rolf Bauermeister was additionally appointed member of the Mediation Committee of the Supervisory Board of Deutsche Post AG by the employee representatives.

In another special meeting on 28 May 2008, we approved the restructuring of the US express business following extensive discussions.

In June 2008 we approved in a written resolution the request of Dr Wolfgang Klein to step down temporarily as member of the Board of Management of Deutsche Post AG in order to avoid any potential conflicts of interest that might arise during a possible reorganisation of the shareholder structure of Deutsche Post AG. The duties of the Board of Management members were reallocated to allow Dr Frank Appel to assume responsibility for the FINANCIAL SERVICES Division in addition to his position as chairman of the Board of Management for the time during which Dr Klein had ceased active participation.

In the Supervisory Board meeting of 12 September 2008, we dealt in detail with the situation of the express business in the US. We also approved the gradual sale of the shares in Postbank to Deutsche Bank. The contracting parties subsequently negotiated a contract that best serves the interests of both sides. The new contract stipulates that Deutsche Post will receive the entire proceeds from the transaction on the closing date – i.e., three years earlier than originally anticipated – including the proceeds from the Postbank shares that will not be transferred until a later date. This has not increased overall transaction risk. We approved the changes in the transaction structure on 14 January 2009.

In another special meeting on 26 October 2008, the Supervisory Board addressed in detail the proposed share purchase to ensue from a possible capital increase of Deutsche Postbank AG and approved the subscription of 100% of the shares issued.

In a special meeting that followed on 10 November 2008, we approved our exit from the domestic US express business, including the costs that this will entail. In the future, Deutsche Post World Net will focus on its international core competencies in the US express market. The exit from the market occurred as planned in January 2009. As a result, costs arising from the express business in the US will decrease by more than 80%, whilst competitive standing will improve substantially given that 71% of all international deliveries from US metropolitan areas will be able to be processed more quickly. We also accepted Dr Wolfgang Klein's resignation from the Board of Management and approved the related adaptation of the bylaws.

In the last meeting of the Supervisory Board on 16 December 2008, we approved the business plan for 2009 and agreed to focus on an updated plan in February 2009. We also took note of the plan for 2010 and 2011. At the same meeting Dr Jürgen Weber announced his resignation, effective 31 December 2008. Prof. Dr Wulf von Schimmelmann was elected unanimously as Dr Weber's successor. Furthermore, we submitted the Declaration of Compliance with the 2008 German Corporate Governance Code and passed a resolution giving global authorisation for the award of loans by Postbank.

Meticulous work by the committees

The Executive Committee met nine times during the year under review. Agenda items focused on Board of Management and Supervisory Board business as well as the further development of the company's corporate governance.

The Personnel Committee met twice and concentrated primarily on the First Choice and GoGreen programmes and the Group's involvement in educational initiatives.

The Finance and Audit Committee met ten times, with meetings chaired by Prof. Dr Ralf Krüger. The committee discussed the acquisition and disposal of companies, which was subsequently also addressed in the plenary sessions of the Supervisory Board, as well as the Group's business plan for the period from 2009 to 2011. It also examined the annual and consolidated financial statements, discussed the interim reports and dealt with the review of the interim financial reports for the first half of the year. The auditors attended the committee's financial statements meeting. Accounting and risk monitoring, as well as co-operation with the auditors, were also discussed in detail. Additionally, a number of real estate transactions were approved. Furthermore, individual Board of Management members gave presentations on the business performance of their respective divisions for discussion by the committee. Key topics included the US express business, the mail business in Germany and the transaction involving Postbank. The committee also deliberated on the organisation of compliance activities and the compliance tools applied in the Group.

The Nomination Committee met three times during the year under review. At its meetings, the committee resolved to recommend Prof. Dr Wulf von Schimmelmann as a suitable candidate for the Supervisory Board's nomination to the 2008 AGM.

It was not necessary for the Mediation Committee, which must be formed pursuant to Section 27 (3) of the *Mitbestimmungsgesetz*, to meet in the year under review.

Changed Supervisory Board and Board of Management composition

The following changes were made to the Supervisory Board of Deutsche Post AG in 2008: Effective 6 May 2008, employee representatives Frank von Alten-Bockum, Marion Deutsch, Dirk Marx, Silke Oualla-Weiß and Margrit Wendt left the Supervisory Board, Heinrich Josef Busch, Thomas Koczelnik, Anke Kufalt, Andreas Schädler and Helga Thiel were newly elected and Wolfgang Abel, Rolf Bauermeister, Annette Harms, Andrea Kocsis and Stefanie Weckesser were re-elected. Prof. Dr Wulf von Schimmelmann was appointed member of the Supervisory Board by the court on 6 August 2007 and on 6 May 2008 was appointed shareholder representative for five years by the 2008 AGM. At the Supervisory Board meeting on 16 December 2008, he was elected chairman of the Supervisory Board effective 1 January 2009 and Andrea Kocsis was confirmed as deputy chair. Ingrid Matthäus-Maier resigned her seat effective 31 August 2008. On 1 September, Dr Ulrich Schröder was appointed to the Supervisory Board by the court as a shareholder representative. The appointment will be submitted to the shareholders for ratification at the AGM on 21 April, 2009. Dr Jürgen Weber resigned his seat on the Supervisory Board and thus his position as chairman as at 31 December 2008.

The following changes occurred on the company's Board of Management: On 18 February 2008, Dr Klaus Zumwinkel resigned from office. The Supervisory Board accepted his resignation and, on the same day, unanimously appointed Dr Frank Appel as new chairman of the Board of Management. Dr Frank Appel initially assumed responsibility for the chairman's board department in addition to his previous duties. Bruce Edwards and Hermann Ude were appointed members of the Board of Management effective 4 March 2008. Dr Wolfgang Klein stepped down from his position on the Board of Management of Deutsche Post until further notice effective 25 June 2008, and Dr Frank Appel assumed responsibility for the FINANCIAL SERVICES Division for this period in addition to his other duties as chairman of the Board of Management. On 10 November 2008, Dr Wolfgang Klein resigned his seat on the Board of Management of Deutsche Post AG.

Company in compliance with all recommendations of the German Corporate Governance Code

In December 2008, the Board of Management and the Supervisory Board submitted an updated Declaration of Conformity pursuant to Section 161 of the *Aktiengesetz* (Germany stock corporation act) and published it on the company's website. The previous declarations can also be viewed on this website. In financial year 2008, Deutsche Post AG complied with all recommendations of the German Corporate Governance Code as amended on 14 June 2007. The company plans to continue complying with the recommendations of the Code as amended on 6 June 2008. Further information on corporate governance within the company, including the remuneration of the Board of Management and the Supervisory Board members, is contained in the Corporate Governance Report on page 114.

Annual and consolidated financial statements audited

The auditors appointed by the AGM, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, audited the annual and consolidated financial statements for financial year 2008, including the respective management reports, and issued unqualified audit opinions.

Following a detailed preliminary assessment by the Finance and Audit Committee, the Supervisory Board reviewed the annual and consolidated financial statements and the management reports for financial year 2008 in the financial statements meeting on 25 February 2009. The auditors' reports were made available to all Supervisory Board members and were discussed in detail at the meeting with the Board of Management and the auditors in attendance. The audit included a review of the Board of Management's proposal for the appropriation of the unappropriated surplus. The Supervisory Board concurred with the results of the audit of the annual and consolidated financial statements and the management reports, and at today's meeting approved the annual and consolidated financial statements for financial year 2008 after detailed discussion with the Board of Management and the auditor's representative. Based on the final outcome of the examination of the annual and consolidated financial statements, the management reports and the proposal for the appropriation of the unappropriated surplus by the Supervisory Board and the Finance and Audit Committee, there are no objections to be raised. The Supervisory Board endorses the Board of Management's proposal for the appropriation of the unappropriated surplus and the payment of a dividend of €0.60 per share.

We would like to thank the Board of Management and all the employees of the Group for their commitment and successful efforts throughout 2008. The Supervisory Board would particularly like to thank Dr Klaus Zumwinkel for his extraordinary service for the Group.

Bonn, 25 February 2009
The Supervisory Board

Prof. Dr Wulf von Schimmelmann
Chairman

Supervisory Board

SHAREHOLDER REPRESENTATIVES

Prof. Dr Wulf von Schimmelmann
Chairman (since 1 January 2009)

Management Consultant

Willem G. van Agtmael

Managing Partner,
E. Breuninger GmbH & Co.

Hero Brahms

Management Consultant

Werner Gatzer

State Secretary, Federal Ministry of Finance

Prof. Dr Ralf Krüger

Management Consultant

Roland Oetker

Managing Partner,
ROI Verwaltungsgesellschaft mbH

President of Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (until 10 October 2008)

Harry Roels

Dr Ulrich Schröder (since 1 September 2008)

Chairman of the Board of Managing Directors, KfW Bankengruppe

Elmar Toime

Managing Director, E Toime Consulting Ltd.

Left in financial year 2008:

Ingrid Matthäus-Maier (until 31 August 2008)

Member of the Board of Managing Directors, KfW Bankengruppe

Dr Jürgen Weber
Chairman (until 31 December 2008)

Chairman of the Supervisory Board, Deutsche Lufthansa AG

EMPLOYEE REPRESENTATIVES

Andrea Kocsis (Deputy Chair)

Deputy Chair of the ver.di National Executive Board and Head of the Federal Postal Services, Forwarding Companies and Logistics section, ver.di National Executive Board

Wolfgang Abel (since 18 February 2008)

Regional Head of the Regional Postal Services, Forwarding Companies and Logistics section, ver.di Hamburg Regional District

Rolf Bauermeister (since 18 February 2008)

Head of the Postal Services, Co-Determination and Youth departments, National Head of the Postal Services group, ver.di National Administration

Heinrich Josef Busch (since 6 May 2008)

Chair of Group and Company Chair Committee, Deutsche Post AG

Annette Harms

Deputy Chair of Works Council, Deutsche Postbank AG, Hamburg

Thomas Koczelnik (since 6 May 2008)

Chair of Group Works Council, Deutsche Post AG

Anke Kufalt (since 6 May 2008)

Member of Works Council, DHL Global Forwarding GmbH, Hamburg

Andreas Schädler (since 6 May 2008)

Chair of Central Works Council, Deutsche Post AG

Helga Thiel (since 6 May 2008)

Member of ver.di National Executive Board (Postal Services, Forwarding Companies and Logistics) and Member of Central Works Council, Deutsche Post AG (until 3 June 2008)

Deputy Chair of Central Works Council, Deutsche Post AG (since 4 June 2008)

Stefanie Weckesser

Member of Works Council, parcel delegate, Augsburg Mail Branch

Left in financial year 2008:

Frank von Alten-Bockum (until 6 May 2008)

Managing Director, Deutsche Post AG (until 31 August 2008)

Marion Deutsch (until 6 May 2008)

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

Dirk Marx (until 6 May 2008)

Chair of Group Works Council, Deutsche Post AG

Silke Oualla-Weiß (until 6 May 2008)

Chair of Works Council, DHL Express Betriebs GmbH, Düsseldorf (Dortmund office)

Margrit Wendt (until 6 May 2008)

Chair of European Works Council Forum

Chair of Deutsche Post World Net Forum

COMMITTEES

Executive Committee

- Prof. Dr Wulf von Schimmelmann, Chair (since 1 January 2009)
- Dr Jürgen Weber, Chair (until 31 December 2008)
- Andrea Kocsis, Deputy Chair
- Rolf Bauermeister (since 6 May 2008)
- Hero Brahms
- Werner Gatzer
- Margit Wendt (until 6 May 2008)
- Stefanie Weckesser (since 6 May 2008)

Personnel Committee

- Andrea Kocsis, Chair
- Prof. Dr Wulf von Schimmelmann, Deputy Chair (since 1 January 2009)
- Dr Jürgen Weber, Deputy Chair (until 31 December 2008)
- Hero Brahms
- Dirk Marx (until 6 May 2008)
- Thomas Koczelnik (since 6 May 2008)

Finance and Audit Committee

- Prof. Dr Ralf Krüger, Chair
- Wolfgang Abel, Deputy Chair (since 6 May 2008)
- Werner Gatzer
- Roland Oetker
- Dirk Marx (until 6 May 2008)
- Margrit Wendt (until 6 May 2008)
- Thomas Koczelnik (since 6 May 2008)
- Helga Thiel (since 6 May 2008)

Mediation Committee
(in accordance with Section 27 (3) *Mitbestimmungsgesetz*)

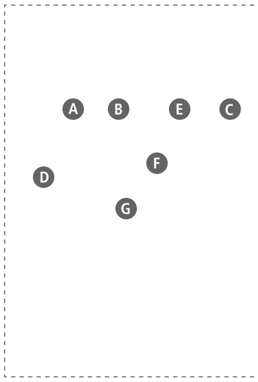
- Prof. Dr Wulf von Schimmelmann, Chair (since 1 January 2009)
- Dr Jürgen Weber, Chair (until 31 December 2008)
- Andrea Kocsis, Deputy Chair
- Hero Brahms
- Margrit Wendt (until 6 May 2008)
- Rolf Bauermeister (since 6 May 2008)

Nomination Committee

- Prof. Dr Wulf von Schimmelmann, Chair (since 1 January 2009)
- Dr Jürgen Weber, Chair (until 31 December 2008)
- Hero Brahms
- Werner Gatzer

Board of Management

Board of Management Deutsche Post World Net



A DR FRANK APPEL

CHAIRMAN

Born in 1961, member of the Board of Management since 2002, appointed until October 2012, Chairman of the Board of Management since 18 February 2008, since then responsible for Corporate Executives, Corporate Communications, Corporate Development, the Corporate Office and Corporate Organisation as well as Corporate Public Policy and Sustainability. He is also responsible for Corporation Regulation Management, operational management of the Group-wide First Choice initiative and has cross-divisional responsibility for the Group's 100 biggest customers (Global Customer Solutions).

B JOHN ALLAN

FINANCE, GLOBAL BUSINESS SERVICES

Born in 1948, member of the Board of Management since 2006, appointed until December 2010 (but has resigned, effective 30 June 2009), responsible for Finance including Controlling, Corporate Accounting and Reporting, Investor Relations, Corporate Finance, Corporate Internal Audit/Security, Taxes and Global Business Services.

C BRUCE EDWARDS

SUPPLY CHAIN / CIS

Born in 1955, member of the Board of Management since 4 March 2008, appointed until December 2011, responsible for the SUPPLY CHAIN/CIS Division.

D JÜRGEN GERDES

MAIL

Born in 1964, member of the Board of Management since 2007, appointed until June 2010, responsible for the MAIL Division.

E JOHN P. MULLEN

Born in 1955, member of the Board of Management since 2005, resigned effective 25 February 2009, was previously responsible for the EXPRESS Division.

F WALTER SCHEURLE

PERSONNEL

Born in 1952, member of the Board of Management since 2000, appointed until March 2010, responsible for Personnel, including Corporate Compensation Policies/Labour Law, Human Resources and Human Resources Development.

G HERMANN UDE

GLOBAL FORWARDING / FREIGHT

Born in 1961, member of the Board of Management since 4 March 2008, appointed until March 2011, responsible for the GLOBAL FORWARDING/FREIGHT Division.

KEN ALLEN

EXPRESS

Born in 1955, member of the Board of Management since 26 February 2009, appointed until Februar 2012, responsible for the EXPRESS Division.

Financial year 2008

Dr Frank Appel

Chairman
(since 18 February 2008)

LOGISTICS, MAIL International
(until 4 March 2008)

FINANCIAL SERVICES
(25 June to 10 November 2008)

Dr Klaus Zumwinkel

Chairman (until 18 February 2008)

John Allan

Finance, Global Business Services

Bruce Edwards (since 4 March 2008)

SUPPLY CHAIN/CIS

Jürgen Gerdes

MAIL and PARCEL Germany
(until 4 March 2008)

MAIL (since 5 March 2008)

Dr Wolfgang Klein

FINANCIAL SERVICES
(until 10 November 2008, mandate suspended between 25 June 2008 and 10 November 2008)

John P. Mullen

EXPRESS

Walter Scheurle

Personnel

Hermann Ude (since 4 March 2008)

GLOBAL FORWARDING/FREIGHT

Mandates held by the Board of Management

Dr Frank Appel

- Deutsche Postbank AG[1] (Member since 19 February 2008, Chair since 3 March 2008)
- Williams Lea Holdings plc (Board of Directors, Chair)[1], until 1 May 2008
- Williams Lea Group Limited (Board of Directors)[1], until 1 May 2008
- Exel Investments Limited (Board of Directors)[1], until 1 May 2008
- Exel Limited (Board of Directors)[1], until 1 May 2008
- Tibbett & Britten Group Limited (Board of Directors)[1], until 1 May 2008

John Allan

- Deutsche Postbank AG[1], since 8 May 2008
- Deutsche Lufthansa AG, since 29 April 2008
- National Grid plc (Non-Executive Director)
- ISS A/S (Board of Directors), since 20 June 2008

Bruce Edwards

- Williams Lea Holdings plc (Board of Directors, Chair)[1], since 1 May 2008
- Williams Lea Group Limited (Board of Directors)[1], since 1 May 2008
- Exel Investments Limited (Board of Directors)[1], since 1 May 2008
- Exel Limited (Board of Directors)[1], since 1 May 2008
- Exel Supply Chain Services de México, S.A. de C.V. (Board of Directors)[1]
- Exel Logistics, S.A. de C.V. (Board of Directors)[1]
- Exel Servicios, S.A. de C.V. (Board of Directors)[1]
- Exel North American Logistics, S.A. de C.V. (Board of Directors)[1]
- Exel Automocion, S.A. de C.V. (Board of Directors)[1]
- Hyperion Inmobiliaria, S.A. de C.V. (Board of Directors)[1]
- Tibbett & Britten Group Limited (Board of Directors)[1], since 1 May 2008
- Greif, Inc. (Board of Directors)
- Ashtead plc (Board of Directors)

John P. Mullen (until 25 February 2009)

- Embarq Corp. (USA, Non-Executive Director)
- Telstra Corp. Ltd. (USA, Non-Executive Director), since 1 July 2008

Walter Scheurle

- Bundesanstalt für Post und Telekommunikation (Administrative Board)

Hermann Ude

- Fraport AG (Economic Advisory Board), since 27 November 2008
- Deutsches Verkehrsforum (Presiding Board), since 12 November 2008

Left in financial year 2008:

Dr Klaus Zumwinkel (until 18 February 2008)

- Deutsche Postbank AG[1] (Chair), until 18 February 2008
- Deutsche Lufthansa AG, until 28 April 2008
- Deutsche Telekom AG (Chair), until 27 February 2008
- Arcandor AG, until 31 December 2008
- Morgan Stanley (Board of Directors), until 7 April 2008

Dr Wolfgang Klein (until 10 November 2008)

- BHW Holding AG[1] (Chair), until 31 December 2008
- BHW Bausparkasse AG[1] (Chair), until 31 December 2008
- Postbank Filialvertrieb AG[1] (Chair)
- Postbank Finanzberatung AG[1] (Chair)
- Comma Soft AG (Chair)
- PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen[1] (Member since 14 April 2008, Deputy Chair since 15 April 2008)
- Betriebs-Center für Banken AG[1] (Chair, since 30 June 2008)
- Deutsche Postbank Financial Services GmbH[1] (Supervisory Board, Deputy Chair)
- PB Capital Corp.[1] (Board of Directors, Chair)
- PB (USA) Holdings Inc.[1] (Board of Directors, Chair)
- Bundesverband deutscher Banken e.V. (Berlin, Board of Directors)

- Statutory mandate
- Comparable mandate

1) Group mandate

Mandates held by the Supervisory Board

SHAREHOLDER REPRESENTATIVES

Prof. Dr Wulf von Schimmelmann
Chair since 1 January 2009

- Maxingvest AG
- Deutsche Telekom AG
- Accenture Corp., USA (Board of Directors)
- ALTADIS S.A., Spain (Board of Directors), until 6 February 2008
- BAWAG P.S.K., Austria (Supervisory Board, Chair)

Willem G. van Agtmael

- Energie Baden-Württemberg AG (Advisory Board)
- Landesbank Baden-Württemberg (Advisory Board)
- L-Bank (Advisory Board)

Hero Brahms

- Georgsmarienhütte Holding GmbH (Deputy Chair)
- Arcandor AG (Chair), until 31 October 2008
- Wincor Nixdorf AG
- Live Holding AG
- M. M. Warburg & CO KGaA (Shareholders' Committee)
- Zumtobel AG (Supervisory Board, Deputy Chair), since 29 July 2008

Werner Gatzer

- KfW IPEX-Bank GmbH, since 1 December 2008
- Bundesanstalt für Immobilienaufgaben (Administrative Board, Chair)
- g.e.b.b. mbH (Supervisory Board)

Prof. Dr Ralf Krüger

- Deutsche Postbank AG
- DIAMOS AG (Chair)
- KMS AG (Chair)
- KMS Asset Management AG (Chair)
- SIREO REAL ESTATE ASSET MANAGEMENT GmbH (Advisory Board)

Roland Oetker

- IKB Deutsche Industriebank AG
- Volkswagen AG
- Dr August Oetker-Gruppe (Advisory Board, Deputy Chair since 1 March 2007)

Harry Roels

- Allianz AG (Advisory Board)
- Investitions-Bank NRW (Advisory Board), until 28 September 2008
- Deutsches Stiftungszentrum GmbH (Administrative Board), since 10 May 2007

Dr Ulrich Schröder (since 1 September 2008)

- ProHealth AG
- Deutsche Telekom AG, since 1 October 2008
- Ströer Out-of-Home Media AG, until 31 September 2008
- HSBC Trinkaus und Burkhardt AG (Administrative Board)

Elmar Toime

- Blackbay Ltd., United Kingdom (Non-Executive Director)
- SKYCITY Entertainment Group Ltd., New Zealand (Non-Executive Director)
- message AG (Non-Executive Chairman), since 3 March 2008
- Postea Inc. (Non-Executive Chairman), since 9 October 2008
- Earth Class Mail, Inc. (Non-Executive Member), since 25 November 2008

Left in financial year 2008:

Ingrid Matthäus-Maier (until 31 August 2008)

- Deutsche Telekom AG, until 31 August 2008
- RAG Aktiengesellschaft, until 31 August 2008
- Deutsche Steinkohle AG, until 31 August 2008
- Salzgitter Mannesmann Handel GmbH, until 31 August 2008
- KfW IPEX-Bank GmbH (Supervisory Board), until 31 August 2008

Dr Jürgen Weber (until 31 December 2008)

- Allianz Lebensversicherungs-AG
- Bayer AG
- Deutsche Bank AG, until 29 May 2008
- Deutsche Lufthansa AG (Chair)
- Voith AG
- Willy Bogner GmbH & Co. KG
- LP Holding GmbH (Supervisory Board, Chair)
- Tetra Laval Group (Switzerland, Board)

EMPLOYEE REPRESENTATIVES

Annette Harms

- Deutsche Postbank AG

Andreas Schädler (since 6 May 2008)

- PSD Bank Köln eG (Chair)
- Bundesanstalt für Post- und Telekommunikation (Administrative Board), since 15 September 2008

Helga Thiel (since 6 May 2008)

- PSD Bank Köln eG

Left in financial year 2008:

Frank von Alten-Bockum (until 6 May 2008)

- Stadtwerke Bonn GmbH
- VPV Lebensversicherungs-AG
- Energie- und Wasserversorgung Bonn/Rhein-Sieg (Supervisory Board)

Dirk Marx (until 6 May 2008)

- Bundesanstalt für Post und Telekommunikation (Administrative Board)

Corporate Governance Report

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Unqualified Declaration of Conformity issued once again

In December 2008, the Board of Management and Supervisory Board issued an unqualified Declaration of Conformity for the seventh consecutive year. It confirms that since the previous Declaration of Conformity, Deutsche Post has complied with the recommendations of the German Corporate Governance Code as amended on 14 June 2007. We also implemented the suggestions set forth in the Code, with one exception: The Annual General Meeting can only be viewed on the internet until the start of the general debate. In the future, we will comply with the recommendations of the Government Commission on the German Corporate Governance Code as amended on 6 June 2008.

Board of Management and Supervisory Board

As a German public limited company, Deutsche Post operates under a dual management system. The Board of Management is responsible for the management of the company, and is appointed, overseen and advised by the Supervisory Board. After Dr Klaus Zumwinkel resigned as chairman of the Board of Management, Dr Frank Appel was appointed chairman on 18 February 2008. Bruce Edwards and Hermann Ude were appointed to the Board of Management effective 4 March 2008. On 25 June 2008, Dr Wolfgang Klein stepped down from his position on the Board of Management until further notice. On 10 November 2008, he left the Board of Management of Deutsche Post AG. The duties of the individual Board members were reallocated accordingly.

Dr Frank Appel initially assumed the duties of chairman of the Board of Management in addition to his other Board responsibilities. On 4 March 2008, the LOGISTICS Division – for which Dr Frank Appel had been responsible – was split into the new board departments of Global Forwarding, Freight, headed by Hermann Ude, and Supply Chain, Corporate Information Solutions, headed by Bruce Edwards. Global Mail was integrated into the MAIL Division, which is headed by Jürgen Gerdes. After Dr Wolfgang Klein ceased active participation on the Board of Management of Deutsche Post, Dr Frank Appel assumed Board responsibility for the FINANCIAL SERVICES Division from 25 June to 10 November 2008 in addition to his duties as chairman of the Board of Management.

The Supervisory Board comprises twenty members, who are listed on page 109. Ten shareholder representatives are elected at the AGM, whilst a further ten are elected by employees in accordance with the provisions of the *Mitbestimmungsgesetz* (MitbestG – German co-determination act). An overview of additional mandates held by Board of Management and Supervisory Board members in those supervisory boards and bodies of other companies that are required by law may be found on pages 112 and 113. The Supervisory Board's report on its activities in financial year 2008 is published on page 103.

At the AGM on 6 May 2008, Prof. Dr Wulf von Schimmelmann was elected to the Supervisory Board for a five-year term on an individual basis. In March 2008, an assembly of delegates elected new employee representatives to the Supervisory Board pursuant to the MitbestG. Their terms of office began upon the close of the AGM on

6 May 2008. Frank von Alten-Bockum, Marion Deutsch, Dirk Marx, Silke Oualla-Weiß and Margrit Wendt left the Supervisory Board, and Wolfgang Abel, Heinrich Josef Busch, Rolf Bauermeister, Annette Harms, Thomas Koczelnik, Andrea Kocsis, Anke Kufalt, Andreas Schädler, Helga Thiel and Stefanie Weckesser were either newly elected or re-elected. Ingrid Matthäus-Maier resigned her seat effective 31 August 2008. On 1 September 2008, Dr Ulrich Schröder was appointed to the Supervisory Board by the court as a shareholder representative. The appointment will be submitted to the shareholders for ratification by voting at the AGM to be held on 21 April 2009. Dr Jürgen Weber resigned his seat on the Supervisory Board and thus the office of Supervisory Board chairman effective 31 December 2008. On 16 December 2008, the members of the Supervisory Board elected Prof. Dr Wulf von Schimmelmann chairman of the Supervisory Board starting 1 January 2009. On 18 February 2009, Prof. Dr Henning Kagermann was appointed by the court to the Supervisory Board as a shareholder representative. He will be recommended to the 2009 AGM for election.

The majority of Supervisory Board members of Deutsche Post AG are independent as recommended by the German Corporate Governance Code, with which Deutsche Post is thus in compliance.

Five committees formed

The Supervisory Board has formed a total of five committees. In addition to the Mediation Committee required by the MitbestG, these include the Executive Committee, the Finance and Audit Committee, the Personnel Committee and the Nomination Committee recommended by the Code. A list of members of these committees may be found on page 109. The Supervisory Board's report on the committees' activities in the year under review is found on page 103.

Transparency and open communication with shareholders

We are committed to open communication with our shareholders. All relevant dates are displayed on our website, including the publication dates for the annual report and interim reports. The website also contains up-to-date information about our shares and share price movements, as well as announcements regarding the purchase and sale of company shares and related financial instruments pursuant to Article 15a of the *Wertpapierhandelsgesetz* (WpHG - German securities trading act).

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Members of the Board of Management and Supervisory Board are required to disclose immediately any potential conflicts of interest to the Supervisory Board. Outside activities pursued by members of the Board of Management are subject to the approval of the Supervisory Board.

Statutory and internal regulations complied with

All Group employees are expected to comply with statutory and internal regulations. Based on the company's corporate values, the Board of Management therefore introduced a Code of Conduct. All of our executives must indicate their willingness to uphold the Code of Conduct by signing a declaration of commitment. As part of our Group-wide compliance system, we have set up a Global Values Office and Regional Values Offices to provide advice on and monitor implementation of compliance processes. We have also established a Clearing Committee made up of members of our

Legal, Human Resources and Internal Audit departments. The committee meets regularly to consult on specific issues related to compliance management. Employees can also report any violations to the complaints hotline. In the event of infringements, suitable measures will be taken; these may include action under labour and disciplinary law if appropriate. Compliance with the Code of Conduct is an issue regularly addressed by the Internal Audit department, which is part of the Finance Board Department. The subject of compliance is discussed at regular intervals by the Supervisory Board's Finance and Audit Committee.

Identifying risks early on

Our opportunity and risk management system ensures that any risks are identified early on. The system is continuously refined and updated to reflect the latest developments. Further details can be found in our risk report starting on page 85.

PwC appointed auditor

The Group accounts are prepared in accordance with International Financial Reporting Standards (IFRS). PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, was appointed by the AGM as the auditor of the annual and consolidated financial statements for the financial year 2008 and to review the half-year financial report. Before engaging the auditors, the Supervisory Board took steps to ensure that the existing relationships between the auditors and the company or its executive and controlling bodies did not call into question the auditors' independence.

Remuneration Report

The remuneration report also forms part of the Group Management Report.

Board of Management remuneration

The total remuneration paid to Board of Management members is determined by the Supervisory Board or its Executive Committee, which is headed by the chairman of the Supervisory Board. After holding consultations, the Supervisory Board decides on the remuneration system for the Board of Management – including the main contractual elements – based on the recommendation submitted by the Executive Committee. The remuneration system is regularly reviewed by the Supervisory Board. The remuneration of the Board of Management reflects the size and global reach of the company, its economic and financial situation and the roles fulfilled by the individual members. It is set to ensure competitiveness with comparable German and international companies, thus providing an incentive for the Board of Management members to deliver maximum performance and achieve results. The Supervisory Board conducts regular reviews to determine whether the remuneration paid to the Board of Management is appropriate, taking into account the company's results, the industry in which it operates and its future prospects.

The remuneration of the Board of Management is performance-based and comprises fixed and variable elements as well as long-term incentives.

Components not linked to performance are the basic salary, fringe benefits and pension commitments. The basic salary is paid monthly. Fringe benefits comprise mainly the use of company cars, the reimbursement of travel expenses, a telephone allowance and supplements for insurance premiums as well as special allowances and benefits for assignments outside the home country.

The annual bonus is a variable, performance-linked element. The Supervisory Board or its Executive Committee exercises its due discretion to determine the annual bonus on the basis of the company's performance. The amount of the bonus reflects the extent to which predefined targets are achieved, missed or exceeded. Since 2008, a new performance indicator – EBIT after asset charge – has been included in the target agreements along with profit or loss from operating activities (EBIT). Achievement of the upper target for the financial year is rewarded with the maximum annual bonus. The maximum annual bonus opportunity is 100% of the annual basic salary. In addition, the Supervisory Board may elect to award an appropriate special bonus for extraordinary achievement.

As a variable remuneration component with long-term incentive effect, the Board of Management members receive stock appreciation rights (SAR) issued on the basis of a long-term incentive plan.

The remuneration paid to active members of the Board of Management in financial year 2008 totalled €11.89 million (previous year: €15.70 million). This amount comprised €9.01 million in non-performance-related components (previous year: €8.68 million) and €2.88 million in bonuses (previous year: €7.02 million). The members of the Board of Management were granted a total of 1,725,000 SAR in financial year 2008 with a total value of €4.78 million (previous year: €6.37 million) at the time of issue (1 July 2008).

Remuneration of the Group's Board of Management in financial year 2008

The following table presents the total remuneration paid to the active Board of Management members:

Cash components

€	Not linked to performance		Performance-related	
Active board members	Basic salary	Fringe benefits	Variable	Total
Dr Frank Appel (chairman since 18 Feb. 2008)	1,429,205	28,387	0	1,457,592
John Allan	1,046,580	593,906	0	1,640,486
Bruce Edwards (since 4 March 2008)	715,760	40,331	0	756,091
Jürgen Gerdes	715,000	37,222	0	752,222
John P. Mullen	1,139,871	767,765	0	1,907,636
Walter Scheurle	860,000	23,891	0	883,891
Hermann Ude (since 4 March 2008)	590,067	12,603	0	602,670

Components with long-term incentive effect

€ Active board members	Number of SAR	Value of SAR on grant date (1 July 2008)	Change in value of total SAR granted from 2006 to 2008 on 31 Dec. 2008 compared with value on grant date
Dr Frank Appel (chairman since 18 Feb. 2008)	345,000	955,650	–1,995,050
John Allan	230,000	637,100	–420,650
Bruce Edwards (since 4 March 2008)	230,000	637,100	–527,064
Jürgen Gerdes	230,000	637,100	–895,664
John P. Mullen	230,000	637,100	–1,895,000
Walter Scheurle	230,000	637,100	–1,895,000
Hermann Ude (since 4 March 2008)	230,000	637,100	–422,076

The remuneration of the members of the Board of Management who left in 2008 breaks down as follows:

Dr Wolfgang Klein left the Board of Management of Deutsche Post AG effective 10 November 2008. As in previous years, he only received remuneration in financial year 2008 from Deutsche Postbank AG. His total remuneration breaks down as follows: basic salary of €751,042; fringe benefits in the amount of €24,833 and variable remuneration (one-time special payments) of €2,400,000, which was offered and paid by Postbank. The share attributable to financial year 2007 was €150,000. Dr Wolfgang Klein's total proportionate remuneration for financial year 2008 was €3,175,875. Dr Wolfgang Klein did not receive any stock appreciation rights.

Dr Klaus Zumwinkel left the Board of Management of Deutsche Post AG effective 18 February 2008. His total remuneration breaks down as follows: basic salary of €207,265, fringe benefits in the amount of €26,596 and variable remuneration of €480,184 (€272,920 of this is attributable to a bonus share for financial year 2007 that was paid in 2008). Dr Klaus Zumwinkel's total proportionate remuneration for financial year 2008 was €714,045.

Share-based remuneration

In 2006, the Executive Committee of the Supervisory Board adopted the Long-Term Incentive Plan 2006 (LTIP 2006), which was based closely on the lapsed stock option plan 2003 (SOP 2003). On 1 July 2006, the members of the Board of Management were for the first time awarded SAR under this plan instead of the stock options granted in previous years.

Each SAR entitles the holder to receive a cash settlement equal to the difference between the issue price of the SAR and the average closing price of the Deutsche Post shares for the last five trading days before the exercise date. As in the past, the members of the Board of Management must each invest 10% of their annual target salary in Deutsche Post shares per tranche. The number of SAR to be issued to the members of the Board of Management is determined by the Supervisory Board or its Executive Committee as each tranche is issued. The other essential features of the previous stock option plan have been retained. Following a three-year lock-up period that begins on the date of issue, the SAR, like the stock options, may be exercised in full or in part within a period of two years provided an absolute or relative performance target has been achieved at the end of the lock-up period. Any SAR not exercised during this two-year period expire.

To determine how many – if any – of the SAR granted may be exercised, the average share price or the average index level is compared for the reference period and for the performance period. The reference period, as in the past, comprises the twenty consecutive trading days prior to the issue date. The performance period is the last sixty trading days before the end of the lock-up period. The average share price (closing price) is calculated as the average of the closing rates of Deutsche Post shares in Deutsche Börse AG's Xetra electronic trading system.

As in the past, the absolute performance target is achieved if the closing price of Deutsche Post shares exceeds the issue price by at least 10%, 15%, 20% or 25%. The relative performance target is tied to the performance of the shares in relation to the performance of the Dow Jones STOXX 600 Index (SXXP; ISIN EU0009658202). The target is met if the share price is not outperformed by the index during the performance period or if it outperforms the index by at least 10%.

A maximum of four out of every six SAR can be "earned" via the absolute performance target and a maximum of two via the relative performance target. If neither an absolute nor relative performance target is met by the end of the lock-up period, the SAR of the related tranche will expire and no replacement or compensation of any kind will be provided. The table below presents further details of the tranches of the LTIP 2006:

LTIP 2006

	Tranche 2006	Tranche 2007	Tranche 2008
Issue date	1 July 2006	1 July 2007	1 July 2008
Issue price	€20.70	€24.02	€18.40
Expiry of lock-up period	30 June 2009	30 June 2010	30 June 2011

The table below provides detailed information on the individual tranches of the expired stock option plan:

Note 55

Stock options

	SOP 2003		
	Tranche 2003	Tranche 2004	Tranche 2005
Issue date	1 August 2003	1 July 2004	1 July 2005
Exercise price	€12.40	€17.00	€19.33
Expiry of lock-up period	31 July 2006 Exercisable at 6/6	30 June 2007 Exercisable at 4/6	30 June 2008
Expiry of exercise period	31 July 2008	30 June 2009	Expired at the end of the lock-up period

Any options of Tranche 2003 that had not been exercised expired at the end of the exercise period on 1 August 2008, with no replacement or compensation provided. The options of Tranche 2005 had already expired at the end of the lock-up period on 1 July 2008 – with no replacement or compensation – because the associated absolute and relative targets had not been met.

Pension commitments under the previous system

The members of the Board of Management have direct pensions commitments on the basis of their individual contracts, providing for benefits in case of permanent disability, death or retirement. If the contract of a member ends after at least five years of service on the Board of Management, the entitlements acquired will vest. Members are entitled to benefits due to permanent disability after at least five years of service. Eligibility for retirement benefits begins at the age of 55 at the earliest, or age 60 in the case of John P. Mullen and age 62 for Jürgen Gerdes. The members of the Board of Management may choose between ongoing pension payments and a lump sum payment. The benefit amount depends on the pensionable income and the pension level derived from the years of service.

Pensionable income consists of the annual basic salary, which is calculated using the average salary over the last twelve months of employment. Members of the Board of Management appointed for the first time between 2002 and 2007 attain a pension level of 25% after five years of service on the Board of Management. The maximum pension level of 50% is attained after ten years of service. For active Board of Management members appointed prior to 2002, the maximum pension level is 60%. Depending on the individual contractual arrangements, the pension level increases gradually based on either the period of service or the periods of appointment on the Board of Management. Subsequent pension benefits increase or decrease to reflect changes in the consumer price index in Germany.

Pension commitments under the previous system: individual breakdown

Pension commitments for the Board of Management

	Pension commitments		
	Pension level on 31 Dec. 2008 %	Maximum pension level %	Service cost for pension obligation Financial year 2008 €
Dr Frank Appel, Chairman (since 18 February 2008)	25	50	444,897 [1]
Jürgen Gerdes [2]	0	50	112,312
John P. Mullen	35	50	546,824
Walter Scheurle	30	60	528,795
Dr Wolfgang Klein [3] (until 9 November 2008)	60	60	180,264
Dr Klaus Zumwinkel, Chairman (until 17 February 2008)		75	0 [4]
Total			**1,813,092**

1) Increase in benefits due to assumption of chairmanship of the Board of Management.
2) Minimum period not yet complete. In the event of immediate entitlement, the provisions of the existing pension plan apply.
3) The pension commitment is owed by Deutsche Postbank AG.
4) Ongoing financing complete.

The pension commitment made to Dr Wolfgang Klein relates to his function as chairman of the Management Board of Deutsche Postbank AG and is owed in its entirety by Deutsche Postbank AG. The commitment therefore varies in certain respects from the arrangements described above that relate to Deutsche Post AG; the basic structure is, however, identical. The benefit amount depends on the pensionable income and the pension level derived from the years of service. Dr Wolfgang Klein has already attained the maximum pension level of 60%. According to his contract, retirement benefits are generally paid from the age of 62 or, if the employment contract is not renewed, after reaching the age of 55. A bridge allowance will be paid for a two-year period in addition to the retirement benefits if he leaves the employ of the company upon reaching the age of 62 or due to permanent disability. Subsequent adjustments to his retirement benefits will be based on the percentage change in the highest pay scale group specified in the collective agreement covering the Association of German Public Sector Banks.

Upon his appointment to the Board of Management, John Allan was not included in the pension scheme for members of the Board of Management. Due to his past contractual relationship with Exel, he will receive a taxable annual lump-sum payment of €363,017, in addition to the remuneration paid, which he may use to secure his own pension coverage. This amount is contained in the individual breakdown of fringe benefits.

Pension commitments under the new system

The pension commitment system was restructured in financial year 2008. Starting on 4 March 2008, newly appointed Board of Management members will receive pension commitments based on a defined contribution plan rather than the previous commitments which were based on final salary.

Under the new defined contribution pension plan, each year the company pays a uniform amount of 25% of the annual basic salary into a virtual pension account for the Board of Management member concerned. The maximum contribution period is 15 years. Interest is paid on the pension capital at the rate applicable to pension provisions recognised for tax purposes (currently 6% annually) until the pension is drawn or the Board of Management member leaves the company. The retirement benefits are paid out in a lump sum in the amount of the value accumulated in the pension account. The benefits fall due when the Board of Management member reaches the age of 62 or in the case of invalidity or death. The pension beneficiary may opt to receive a pension in lieu of a lump-sum payment. If this option is exercised, the capital is converted to a pension on the basis of the relevant tax base, taking into account the individual data of the surviving dependents and a future pension increase of 1%. If the Board of Management member leaves the company before the benefits fall due, the pension account will be maintained at the balance existing at the time the member left the company. The account will no longer accrue interest and no further contributions will be paid.

The new pension system is applicable to Board of Management members Hermann Ude and Bruce Edwards, who were appointed in 2008. The pension commitment made to Hermann Ude contains an arrangement guaranteeing him a minimum benefit in the amount of the benefits payable to him had his former pension commitment been continued using the assessment basis applicable at the time of his appointment to the Board of Management.

Pension commitments under the new system: individual breakdown

€	Total contribution for 2008	Pension account balance as at 31 Dec. 2008	Service cost for pension obligation Financial year 2008
Hermann Ude[1]	465,361[2]	486,149	133,647
Bruce Edwards[1]	134,063	140,052	137,565
Total			**271,212**

1) Member of the Board of Management since 4 March 2008.
2) Including starting balance of €331,298 to replace his previous pension commitment.

Benefits of former Board of Management members

Benefits paid to former members of the Board of Management or their surviving dependants amounted to €43.1 million (restated prior-year figure: €10.28 million). The defined benefit obligations (DBO) for current pensions calculated under IFRS amount to €25.3 million (previous year: €27.0 million).

Severance payment complies with Code recommendation

In accordance with the recommendation of No. 4.2.3 of the German Corporate Governance Code as amended on 6 June 2008, the Board of Management contracts of Hermann Ude and Bruce Edwards contain a provision stipulating that in the event of premature termination of a Board of Management member's contract without good cause, the severance payment may compensate no more than the remaining term of the contract. The severance payment is limited to the value of two years' remuneration (severance payment cap). Future Board of Management contracts or extension to existing Board of Management contracts will contain comparable provisions.

Right to early termination granted in case of changes in control pursuant to Code recommendation

In the event of a change in control, Hermann Ude and Bruce Edwards are each entitled to resign their office as a member of the Board of Management for good cause within a period of six months following the change in control, after giving three months' notice as of the end of the month, and to terminate their contract with the Board of Management (right to early termination). Future Board of Management contracts or extensions to existing Board of Management contracts will contain comparable provisions.

The contractual provisions stipulate that a change of control exists if a shareholder has acquired control within the meaning of Section 29 (2) of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG – German securities acquisition and takeover act) via possession of at least 30% of the voting rights, including the voting rights attributable to such shareholder by virtue of acting in concert with other shareholders as set forth in Section 30 of the WpÜG, or if a control agreement has been concluded with the company as an independent entity in accordance with Section 291 of the *Aktiengesetz* (AktG – German stock corporation act) and such agreement has taken effect, or if the company has merged with another legal entity outside of the Group pursuant to Section 2 of the *Umwandlungsgesetz* (German reorganisation and transformation act), unless the value of such other legal entity as determined by the agreed conversion rate is less than 50% of the value of the company.

In the event the right to early termination is exercised or a Board of Management contract is terminated by mutual consent under the same conditions, the Board of Management member is entitled to payment to compensate the remaining term of his Board of Management contract. Such payment is limited to 150% of the severance payment cap pursuant to the recommendation of No. 4.2.3 of the German Corporate Governance Code as amended on 6 June 2008. The amount of the payment is reduced by 25% if the Board of Management member has not reached the age of 60 upon leaving the company. If the remaining term of the Board of Management contract is less than two years and the Board of Management member has not reached the age of 62 upon leaving the company, the payment will correspond to the severance payment cap.

Non-compete clause included

Board of Management contracts of Herman Ude and Bruce Edwards contain a non-compete clause effective for two years after the end of the contract. For the duration of the restraint on competition, they receive 50% of their last contractually stipulated basic salary as compensation each month. Any other earned income is generally deducted from the compensation paid during the period of restraint on competition, provided such other income – together with the compensation payment – exceeds the last annual basic salary paid on a monthly basis. The amount of the compensation payment itself is deducted from any severance payments or pension payments. Prior to or concurrent with cessation of the Board of Management contract, the company may declare its waiver of adherence to the non-compete clause. In such case, the company will be released from the obligation to pay compensation due to a restraint on competition six months after receipt of such declaration.

Moreover, additional contractual provisions have been stipulated for the following members of the Board of Management: The Board of Management contract with John Allen provides the option of terminating his employment contract, which currently extends until 31 December 2010, upon six months' notice as of the end of the quarter, though no earlier than 30 June 2009. Mr Allen has made use of this option and will leave the company at his own request as at 30 June 2009. His contract contains a non-compete clause effective for two years after cessation of the contract. He will receive 50% of his basic salary for the duration of the two-year period. Any other income exceeding half of the basic salary will be credited against any such amount.

Dr Frank Appel, John Allan and John P. Mullen will receive their contractual remuneration until the end of the regular term of their contracts in the event their Board of Management contracts are terminated prematurely by Deutsche Post AG for good cause, provided such cause is not related to a serious breach of duty. Apart from the aforementioned arrangements, no member of the Board of Management has been promised any further benefits upon termination of employment.

Dr Klaus Zumwinkel left the Board of Management effective 18 February 2008. His contract of employment was terminated as at 29 February 2008 (end of day). After such date, he did not receive any basic salary or bonus share for the remainder of his original contract term (until 30 November 2008). His pension entitlement is calculated on the basis of the original contract term. As compensation for a non-compete clause effective for one year following the cessation of his contract, Dr Klaus Zumwinkel was granted 385,000 SAR in Tranche 2008. As at the issue date (1 July 2008), the SAR had a fair value of €1,066,450.

Supervisory Board remuneration

In accordance with Article 17 of the Articles of Association of Deutsche Post AG as adopted by the AGM, the annual remuneration of the members of the Supervisory Board comprises a fixed component, a short-term performance-related component and a performance-related component with a long-term incentive effect.

The fixed component amounts to €20,000 and the short-term performance-related component to €300 for every €0.03 by which the consolidated net profit per share exceeds the amount of €0.50 in the financial year in question. In 2008, neither short-term performance-related remuneration nor performance-related remuneration with a long-term incentive effect was paid.

For financial year 2008, the members of the Supervisory Board are entitled to annual performance-related remuneration with a long-term incentive effect of €300 for every 3% by which the consolidated net profit per share for financial year 2010 exceeds the consolidated net profit per share of financial year 2007. The remuneration falls due for payment at the end of the 2011 AGM. Taken individually, the two variable components may not exceed the amount of the fixed remuneration of €20,000.

The chairman of the Supervisory Board receives double the remuneration, and his deputy one and a half times the remuneration. The chairman of a Supervisory Board committee also receives double the remuneration, whilst a member of a committee receives one and a half times the remuneration. This does not apply for membership on the Mediation and Nomination Committee. Members who only belong to the Supervisory Board and its committees for part of the year receive corresponding compensation on a pro rata basis. The members of the Supervisory Board are entitled to claim out-of-pocket expenses incurred in the exercise of their office. Any value-added tax on the Supervisory Board remuneration and out-of-pocket expenses is reimbursed.

In addition, each member of the Supervisory Board attending a meeting receives an attendance allowance of €500 for each plenary meeting of the Supervisory Board or committee meeting. In financial year 2008, the total remuneration of the Supervisory Board amounted to approximately €0.7 million (previous year: €0.9 million). The table below provides a breakdown of the remuneration:

Supervisory Board remuneration: individual breakdown

€ Current members	Fixed component	Attendance allowance	Total
Prof. Dr Wulf von Schimmelmann (chairman since 1 January 2009)	20,000.00	5,000.00	25,000.00
Dr Jürgen Weber (chairman until 31 December 2008)	70,000.00	13,500.00	83,500.00
Andrea Kocsis (deputy chair)	60,000.00	12,500.00	72,500.00
Heinrich Josef Busch (since 6 May 2008)	13,333.33	2,500.00	15,833.33
Willem G. van Agtmael	20,000.00	4,000.00	24,000.00
Frank von Alten-Bockum (until 6 May 2008)	6,666.67	2,000.00	8,666.67
Hero Brahms	40,000.00	10,500.00	50,500.00
Marion Deutsch (until 6 May 2008)	6,666.67	2,000.00	8,666.67
Werner Gatzer	40,000.00	14,500.00	54,500.00
Annette Harms	20,000.00	5,000.00	25,000.00
Rolf Bauermeister (since 18 February 2008)	24,166.67	7,500.00	31,666.67
Prof. Dr Ralf Krüger	40,000.00	10,000.00	50,000.00
Dirk Marx (until 6 May 2008)	13,333.33	4,000.00	17,333.33
Ingrid Matthäus-Maier (until 31 August 2008)	13,333.33	3,000.00	16,333.33
Roland Oetker	30,000.00	9,000.00	39,000.00
Silke Oualla-Weiß (until 6 May 2008)	6,666.67	2,000.00	8,666.67
Harry Roels	20,000.00	4,500.00	24,500.00
Wolfgang Abel (since 18 February 2008)	24,166.67	8,500.00	32,666.67
Dr Ulrich Schröder (since 1 September 2008)	6,666.67	2,000.00	8,666.67
Elmar Toime	20,000.00	4,500.00	24,500.00
Stefanie Weckesser	26,666.67	7,500.00	34,166.67
Margrit Wendt (until 6 May 2008)	13,333.33	5,000.00	18,333.33
Andreas Schädler (since 6 May 2008)	13,333.33	3,000.00	16,333.33
Helga Thiel (since 6 May 2008)	20,000.00	6,500.00	26,500.00
Thomas Koczelnik (since 6 May 2008)	26,666.67	7,000.00	33,666.67
Anke Kufalt (since 6 May 2008)	13,333.33	3,000.00	16,333.33
Total	**535,000.00**	**139,000.00**	**674,000.00**

On the basis of a now terminated contract, Prof. Dr Wulf von Schimmelmann received compensation in the amount of €384,444 for consultancy activities outside of his work on the Supervisory Board.

Shareholdings of the Board of Management and Supervisory Board

As at 31 December 2008, the shares in Deutsche Post AG held by the Board of Management and Supervisory Board amounted to less than 1% of the company's share capital.

CONSOLIDATED FINANCIAL STATEMENTS

C

REVERSE LOGISTICS is the process of collecting, handling and transporting used, damaged, unwanted and end-of-life goods and/or packaging for disposal, recycling or recovery. It can also refer to the return of reusable transit equipment (pallets, containers etc.) to a point further up the supply chain (upstream).

Symbol: Recycling

Income Statement

1 January to 31 December

	Note		2007 restated[1)]	2008
Continuing operations				
Revenue	11	€m	54,043	54,474
Other operating income	12	€m	2,343	2,736
Total operating income		€m	**56,386**	**57,210**
Materials expense	13	€m	–30,703	–31,979
Staff costs	14	€m	–17,169	–17,990
Depreciation, amortisation and impairment losses	15	€m	–2,196	–2,662
Other operating expenses	16	€m	–4,185	–5,146
Total operating expenses		€m	**–54,253**	**–57,777**
Profit/loss from operating activities (EBIT)		€m	**2,133**	**–567**
Net income from associates	17	€m	3	2
Other financial income		€m	103	621
Other finance costs		€m	–1,051	–1,122
Net other finance costs	18	€m	–948	–501
Net finance costs		€m	**–945**	**–499**
Profit/loss before income taxes		€m	**1,188**	**–1,066**
Income tax expense	19	€m	–173	–200
Profit/loss from continuing operations	20	€m	**1,015**	**–1,266**
Discontinued operations				
Profit/loss from discontinued operations	21	€m	**858**	**–713**
Consolidated net profit/loss for the period	22	€m	**1,873**	**–1,979**
attributable to				
Deutsche Post AG shareholders		€m	1,383	–1,688
Minorities	23	€m	490	–291
Basic earnings per share	24	€	**1.15**	**–1.40**
of which from continuing operations		€	0.79	–1.10
of which from discontinued operations		€	0.36	–0.30
Diluted earnings per share	24	€	**1.15**	**–1.40**
of which from continuing operations		€	0.79	–1.10
of which from discontinued operations		€	0.36	–0.30

1) See Note 5.

Balance Sheet

As at 31 December

€m	Note	2007 restated[1]	2008
ASSETS			
Intangible assets	26	14,226	11,627
Property, plant and equipment	27	8,754	6,676
Investment property	28	187	32
Investments in associates		203	61
Other non-current financial assets		857	574
Non-current financial assets	29	1,060	635
Other non-current assets	30	497	514
Deferred tax assets	31	1,040	1,033
Non-current assets		**25,764**	**20,517**
Inventories	32	248	269
Income tax assets	33	312	191
Receivables and other assets	34	9,806	8,715
Receivables and other securities from financial services	35	193,920	0
Financial instruments	36	72	50
Cash and cash equivalents	37	4,683	1,350
Assets held for sale	38	615	231,872
Current assets		**209,656**	**242,447**
Total assets		**235,420**	**262,964**
EQUITY AND LIABILITIES			
Issued capital	39	1,207	1,209
Other reserves	40	875	439
Retained earnings	41	8,953	6,178
Equity attributable to Deutsche Post AG shareholders	42	**11,035**	**7,826**
Minority interest	43	2,778	2,026
Equity		**13,813**	**9,852**
Provisions for pensions and other employee benefits	44	5,989	4,685
Deferred tax liabilities	31	1,569	833
Other non-current provisions	45	3,015	2,511
Non-current provisions		**10,573**	**8,029**
Non-current financial liabilities	46	8,625	3,318
Other non-current liabilities	47	361	367
Non-current liabilities		**8,986**	**3,685**
Non-current provisions and liabilities		**19,559**	**11,714**
Current provisions	45	**1,703**	**2,807**
Current financial liabilities	46	1,556	779
Trade payables	48	5,384	4,980
Liabilities from financial services	49	187,787	0
Income tax liabilities	33	473	351
Other current liabilities	47	5,101	4,745
Liabilities associated with assets held for sale	38	44	227,736
Current liabilities		**200,345**	**238,591**
Current provisions and liabilities		**202,048**	**241,398**
Total equity and liabilities		**235,420**	**262,964**

1) See Note 5.

Cash Flow Statement

1 January to 31 December

€m	Note	2007 restated[1]	2008
Net profit/loss before taxes		**1,188**	**–1,066**
Net finance costs		945	499
Profit/loss from operating activities (EBIT)		**2,133**	**–567**
Depreciation/amortisation of non-current assets		2,196	2,662
Net income from disposal of non-current assets		–226	–76
Non-cash income and expense		47	217
Change in provisions		–877	838
Change in other assets and liabilities		–146	–20
Income taxes paid		–278	–325
Net cash from operating activities before changes in working capital		**2,849**	**2,729**
Changes in working capital			
Inventories		10	–50
Receivables and other assets		–657	583
Receivables/liabilities from financial services		0	0
Liabilities and other items		606	100
Net cash from operating activities due to continuing operations		**2,808**	**3,362**
Net cash from/used in operating activities due to discontinued operations		2,343	–1,423
Total net cash from operating activities	50.1	**5,151**	**1,939**
Proceeds from disposal of non-current assets			
Subsidiaries and other business units		62	0
Property, plant and equipment and intangible assets		625	1,421
Other non-current financial assets		131	162
		818	**1,583**
Cash paid to acquire non-current assets			
Subsidiaries and other business units		–261	–1,417
Property, plant and equipment and intangible assets		–1,930	–1,660
Other non-current financial assets		–152	–92
		–2,343	**–3,169**
Interest received		112	570
Dividend Postbank		103	103
Current financial instruments		0	–1
Net cash used in investing activities due to continuing operations		**–1,310**	**–914**
Net cash from investing activities due to discontinued operations		257	473
Total net cash used in investing activities	50.2	**–1,053**	**–441**
Proceeds from issuance of non-current financial liabilities		552	176
Repayments of non-current financial liabilities		–452	–497
Change in current financial liabilities		–857	–337
Other financing activities		153	–148
Dividend paid to Deutsche Post AG shareholders		–903	–1,087
Dividend paid to other shareholders		–56	–80
Issuance of shares under stock option plan		73	21
Interest paid		–411	–434
Net cash used in financing activities due to continuing operations		**–1,901**	**–2,386**
Net cash from financing activities due to discontinued operations		114	918
Total net cash used in financing activities	50.3	**–1,787**	**–1,468**
Net change in cash and cash equivalents		2,311	30
Effect of changes in exchange rates on cash and cash equivalents		–46	–53
Changes in cash and cash equivalents associated with assets held for sale		0	0
Changes in cash and cash equivalents due to changes in consolidated group		27	2
Cash and cash equivalents at beginning of reporting period		2,391	4,683
Total cash and cash equivalents at end of reporting period	50.4	**4,683**	**4,662**
Less cash and cash equivalents due to discontinued operations at end of reporting period		3,352	3,416
Plus cash and cash equivalents of continuing operations at Deutsche Postbank AG at end of reporting period		8	104
Cash and cash equivalents due to continuing operations at end of reporting period		**1,339**	**1,350**

1) See Note 50.

Statement of Changes in Equity

1 January to 31 December

€m		Other reserves							
	Issued capital	Capital reserves	IAS 39 reserves	Revaluation reserve	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Minority interest	Total equity
Note	39	40	40	40	40	41	42	43	
Balance at 1 January 2007 [1]	**1,202**	**2,037**	**–58**	**0**	**–451**	**8,473**	**11,203**	**2,714**	**13,917**
Capital transactions with owner									
Capital contribution from retained earnings							0		0
Dividend						–903	–903	–159	–1,062
Stock option plans (exercise)	5	68					73		73
Stock option plans (issuance)		14					14		14
							–816	**–159**	**–975**
Other changes in equity not recognised in income									
Currency translation differences					–446		–446	–23	–469
Other changes			–289				–289	–244	–533
							–735	**–267**	**–1,002**
Changes in equity recognised in income									
Consolidated net profit [1]						1,383	1,383	490	1,873
Total changes in equity recognised in income and not recognised in income							**648**	**223**	**871**
Balance at 31 December 2007	**1,207**	**2,119**	**–347**	**0**	**–897**	**8,953**	**11,035**	**2,778**	**13,813**
Balance at 1 January 2008	**1,207**	**2,119**	**–347**	**0**	**–897**	**8,953**	**11,035**	**2,778**	**13,813**
Capital transactions with owner									
Capital contribution from retained earnings							0		0
Dividend						–1,087	–1,087	–196	–1,283
Stock option plans (exercise)	2	19					21		21
Stock option plans (issuance)		4					4		4
							–1,062	**–196**	**–1,258**
Other changes in equity not recognised in income									
Currency translation differences					–500		–500	14	–486
Other changes			33	8		0	41	–279	–238
							–459	**–265**	**–724**
Changes in equity recognised in income									
Consolidated net loss						–1,688	–1,688	–291	–1,979
Total changes in equity recognised in income and not recognised in income							**–2,147**	**–556**	**–2,703**
Balance at 31 December 2008	**1,209**	**2,142**	**–314**	**8**	**–1,397**	**6,178**	**7,826**	**2,026**	**9,852**

1) See Note 5.

Segment Reporting

Segments by division

€m	MAIL[1]		EXPRESS[1]		GLOBAL FORWARDING/ FREIGHT[1]		SUPPLY CHAIN/ CIS[1]		Corporate Center/ Other[1]		Continuing operations		Discontinued operations	
1 January to 31 December	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
External revenue	14,281	14,186	13,367	13,184	12,157	13,453	14,138	13,552	100	99	54,043	54,474	10,335	11,226
Internal revenue	288	207	507	453	802	726	179	166	–1,776	–1,552	0	0	0	0
Total revenue	14,569	14,393	13,874	13,637	12,959	14,179	14,317	13,718	–1,676	–1,453	54,043	54,474	10,335	11,226
Profit/loss from operating activities (EBIT)	1,976	2,253	–272	–2,144	409	389	577	–675	–557	–390	2,133	–567	1,060	–871
Net income from associates	0	0	3	2	0	0	0	0	0	0	3	2	0	0
Segment assets[2]	4,819	3,683	9,160	8,878	7,078	6,887	8,779	6,460	431	944	30,267	26,852	197,374	227,364
Investments in associates[2]	22	22	174	32	6	6	0	0	1	1	203	61	0	0
Segment liabilities including non-interest-bearing provisions[2]	2,352	2,412	3,520	3,149	2,344	2,305	3,115	2,900	–433	873	10,898	11,639	188,676	218,730
Segment investments	346	296	961	995	200	221	892	515	343	148	2,742	2,175	150	71
Depreciation, amortisation and write-downs	447	346	1,034	542	98	105	363	1,345	254	324	2,196	2,662	161	179
Other non-cash expenses	74	360	105	1,900	37	63	127	201	112	111	455	2,635	507	539
Employees[3]	149,602	146,184	108,655	112,420	39,651	41,602	134,110	141,060	15,608	15,450	447,626	456,716	22,497	22,175

Segments by region

€m	Germany[1]		Europe excluding Germany[1]		Americas[1]		Asia Pacific[1]		Other regions		Continuing operations		Discontinued operations	
1 January to 31 December	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
External revenue	16,678	16,765	19,463	19,129	10,443	10,171	5,714	6,292	1,745	2,117	54,043	54,474	10,335	11,226
Segment assets[2]	6,146	5,483	13,926	11,829	5,855	4,935	3,823	3,940	517	665	30,267	26,852	197,374	227,364
Segment investments	900	689	1,011	682	512	428	245	308	74	68	2,742	2,175	150	71

1) Prior-year figures restated (see Note 10).
2) As at 31 December.
3) Average FTE.

Disclosures on the segment reporting can be found in Note 10.

Notes

Notes to the Consolidated Financial Statements of Deutsche Post AG

1 Basis of accounting

As a listed company, Deutsche Post AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the provisions of commercial law to be additionally applied in accordance with Section 315 a (1) of the *Handelsgesetzbuch* (HGB – German commercial code). The financial statements represent an annual financial report within the meaning of the *Transparenzrichtlinie-Umsetzungsgesetz* (TUG – Transparency directive implementing act) (Section 37 v of the *Wertpapierhandelsgesetz* (WpHG – German securities trading act)) dated 5 January 2007.

The requirements of the standards applied have been satisfied in full, and the consolidated financial statements therefore provide a true and fair view of the Group's net assets, financial position and results of operations.

The consolidated financial statements consist of the income statement, balance sheet, cash flow statement, statement of changes in equity as well as the Notes. In order to improve the clarity of presentation, various items in the balance sheet and in the income statement have been combined. These items are disclosed and explained separately in the Notes. The income statement has been classified in accordance with the nature of expense method.

The accounting policies, as well as the explanations and disclosures in the Notes to the IFRS consolidated financial statements for financial year 2008, are generally based on the same accounting policies used in the 2007 consolidated financial statements. Exceptions to this are the changes in international accounting under IFRS described in Note 4 that have been required to be applied by the Group since 1 January 2008 and the restatement of prior-period amounts (Note 5). The accounting policies are explained in Note 7.

The financial year of Deutsche Post AG and its consolidated subsidiaries is the calendar year. Deutsche Post AG, whose registered office is in Germany, is entered in the commercial register of the Bonn Local Court.

These consolidated financial statements were authorised for issue by a resolution of the Board of Management of Deutsche Post AG dated 25 February 2009.

The consolidated financial statements are prepared in euros (€). Unless otherwise stated, all amounts are given in millions of euros (€ million, €m).

2 Consolidated group

In addition to Deutsche Post AG, the consolidated financial statements for the period ended 31 December 2008 generally include all German and foreign operating companies in which Deutsche Post AG directly or indirectly holds a majority of voting rights, or whose activities it can in some other way control. The companies are consolidated from the date on which the Group is able to exercise control.

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

Consolidated group

	2007	2008
Number of fully consolidated companies (subsidiaries)		
German	113	106
Foreign	857	854
Number of proportionately consolidated joint ventures		
German	1	1
Foreign	12	18
Number of companies accounted for at equity (associates)		
German	3	3
Foreign	18	12

The list of the Group's shareholdings in accordance with Section 313 (2) Nos. 1 to 4 and (3) of the HGB is published in the Electronic Federal Gazette. In addition, a complete list of Deutsche Post AG's shareholdings has been filed with the commercial register of the Bonn Local Court. A list of the significant subsidiaries, joint ventures and associates included in the consolidated financial statements is presented in Note 57.

The following table gives an overview of the significant acquisitions, increases in shareholdings and new company formations required to be included in financial year 2008:

Companies included for the first time

	Equity interest %	Inclusion method	Date of acquisition/ initial inclusion	Notes
EXPRESS				
Express Couriers Australia Pty Ltd., Australia	50	Proportionately consolidated	February 2008	Formed
Polar Air Cargo Worldwide Inc., USA	49	Fully consolidated	November 2008	Fully consolidated based on contractual arrangements
SUPPLY CHAIN/CIS				
Williams Lea Holdings Plc, United Kingdom	96	Fully consolidated	April 2008	Increase in shareholding (30 %)
DHL Logistics (China) Co. Ltd., China (formerly Exel-Sinotrans Freight Forwarding Co. Ltd., China)	100	Fully consolidated	April 2008	Increase in shareholding (50%)

EXPRESS

In February 2008, Deutsche Post Beteiligungen Holding GmbH, Germany, formed Express Couriers Australia Pty Ltd., Australia, with a view to entering into a 50/50 joint venture with New Zealand Post, New Zealand. By 30 June, the joint venture had taken over business units from DHL Global Forwarding, Australia. At the same time, New Zealand Post acquired a 50% interest in the company. At the beginning of July, the joint venture acquired New Zealand Post Australia Pty Ltd. and its subsidiaries for €55 million. A further €23 million was spent to acquire the assets and operations of Hills Transport Pty Ltd., Hills Express Pty Ltd., Aufast Couriers Pty Ltd. and VFCC Services Pty Ltd.

In June 2007, the Group acquired a 49% interest in the US company Polar Air Cargo Worldwide, Inc. (Polar Air Cargo), a leading provider of global air freight services. Under the terms of its contractual arrangements that took effect at the end of October 2008, the company predominantly provides services to the Group and has therefore been fully consolidated since November 2008. Polar Air Cargo was previously included in the consolidated financial statements as an associate. Provisional goodwill of €100 million arose on its full consolidation. The final purchase price allocation will be presented in a later set of financial statements, as not all the necessary information is available at the present time.

Net assets

€m	Fair value from preliminary purchase price allocation [1]
Intangible assets	1
Property, plant and equipment	0
Current assets and cash and cash equivalents	137
Non-current liabilities	–1
Current liabilities	–103
Net assets acquired	**34**

1) Corresponds to the carrying amount.

Since November, the company has contributed €25 million to consolidated revenue. It has significant service relationships with the Group.

GLOBAL FORWARDING/FREIGHT

On 31 December 2007, FC (Flying Cargo) International Transportation Ltd., Israel, was acquired for € 85 million. Flying Cargo is the Israeli market leader in air and ocean freight. In the first quarter of 2008, the former shareholders were paid the equivalent of €65 million, of which €45 million related to the first tranche of the purchase price and €20 million to the repayment of loans by former shareholders. The remainder of the purchase price is expected to be paid in 2010. Goodwill of €74 million arose on the company's initial consolidation. The purchase price allocation was completed as at 30 September 2008 and is as follows:

Measurement of goodwill

€m	31 December 2007
Acquisition costs	85
Less net assets measured at fair value	11
Goodwill	**74**

Net assets

€m	Carrying amount	Adjustments	Fair value
Intangible assets	1	13	14
of which software and licences	1	0	1
of which customer list	0	11	11
of which brand	0	2	2
Property, plant and equipment	1	0	1
Current assets and cash and cash equivalents	40	0	40
Current liabilities	–36	0	–36
Deferred taxes	–5	–3	–8
Net assets acquired	**1**	**10**	**11**

In financial year 2008, Flying Cargo contributed €183 million to consolidated revenue and €27 million to consolidated EBIT.

SUPPLY CHAIN/CIS

In the second quarter of 2008, Deutsche Post Beteiligungen Holding GmbH, Germany, increased its stake in Williams Lea Holdings plc., UK, from 66% to 96% for a purchase price of €220 million. The financial liability for the remaining outstanding shares fell to €29 million.

In April 2008, DHL Exel Supply Chain Hong Kong acquired from Sinotrans Air Transportation Development, China, the remaining 50% of the shares in their joint venture, Exel-Sinotrans Freight Forwarding Co. Ltd., China, for €61 million and has since been the sole owner. The company has been renamed DHL Logistics (China) Co. Ltd. It was previously accounted for in the consolidated financial statements as a proportionately consolidated joint venture. Goodwill of €31 million arose on its full consolidation. The purchase price allocation is as follows:

Measurement of goodwill

€m	1 April 2008
Cost of the investment (second tranche)	61
Less proportionate net assets measured at fair value	–30
Goodwill	**31**

Net assets

€m	Carrying amount	Adjustments[1]	Fair value
Intangible assets	33	24	57
of which customer list	32	24	56
Property, plant and equipment	6	0	6
Current assets and cash and cash equivalents	94	0	94
Current liabilities	–81	0	–81
Deferred taxes	–10	–7	–17
Total net assets (100%)	42	17	59
Proportionate net assets acquired	**21**	**9**	**30**

1) Adjustments to customer relationships of €12 million and adjustments to deferred taxes of €4 million relate to the 50% interest held previously. These amounts were recognised in the revaluation reserve (see Note 40.4).

The remaining 50% of the shares of the company purchased contributed €92 million to consolidated revenue. The company has significant service relationships with the Group. If the remaining 50% of the shares had been acquired as at January 2008, the company would have contributed €106 million to consolidated revenue.

Insignificant acquisitions

During financial year 2008, the Group also made further acquisitions which neither individually nor in the aggregate had a significant effect on the Group's net assets, financial position and results of operations.

Insignificant acquisitions

€m	Fair value at the date of acquisition[1]
ASSETS	
Non-current assets	15
Current assets	46
Cash and cash equivalents	14
	75
EQUITY AND LIABILITIES	
Non-current liabilities	–6
Current liabilities	–44
	–50
Acquisition costs	83
Goodwill	58

1) Corresponds to the carrying amount.

The insignificant acquisitions contributed a total of €116 million to consolidated revenue and €–4 million to consolidated EBIT. If all the companies had been fully consolidated as at January 2008, the amounts would have changed only insignificantly.

In financial year 2008, a total of €390 million was spent on acquiring subsidiaries, net of the cash and cash equivalents acquired (previous year: €261 million). The purchase prices of the acquired companies were paid by transferring cash and cash equivalents. Further details about cash flows can be found in Note 50.

The following table shows the disposal and deconsolidation effects of fully consolidated companies. There were no significant disposals in financial year 2008.

Disposal and deconsolidation effects of fully consolidated companies

€m	2007	2008
Disposal effects		
Intangible assets	7	0
Property, plant and equipment	15	1
Non-current financial assets	3	0
Inventories	1	0
Receivables and other assets	154	11
Receivables from financial services	2,546	0
Cash and cash equivalents	47	2
IAS 39 reserves	–6	0
Provisions	–1,807	–3
Trade payables and other liabilities	–139	–8
Liabilities from financial services	–31	0
Financial liabilities	–2	0
Deferred taxes, net	–6	0
Revenue	51	12
Effect of deconsolidation	456	–1

Joint ventures

The following table provides information about the balance sheet and income statement items attributable to the significant joint ventures included in the consolidated financial statements:

As at 31 December

€m	2007[1]	2008[1]
BALANCE SHEET		
Intangible assets	48	65
Property, plant and equipment	8	13
Receivables and other assets	93	37
Cash and cash equivalents	18	8
Trade payables and other liabilities	–93	–37
Provisions	–2	–2
Financial liabilities	–20	–42
INCOME STATEMENT		
Revenue[2]	352	208
Profit from operating activities (EBIT)	19	8

1) Proportionate amounts.
2) Revenue excluding internal revenue.

The consolidated joint ventures relate primarily to Express Couriers Ltd. (New Zealand), Express Couriers Australia Pty Ltd. (Australia) and Bahwan Exel LLC (Oman). DHL Logistics (China) Co. Ltd., China (formerly Exel-Sinotrans Freight Forwarding Co. Ltd.) was included in the income statement items until March 2008 inclusive. Since April 2008, it has been included in the consolidated financial statements as a fully consolidated company.

3 Significant transactions

In addition to the acquisitions and disposals cited in Note 2, the following significant transactions affected the Group's net assets, financial position and results of operations in financial year 2008:

In September 2008, steps were initiated to sell the Deutsche Postbank Group following the decision taken by management on 12 September 2008. The agreement between Deutsche Bank AG and Deutsche Post AG was adjusted in January 2009. Further information can be found in Note 61 (Significant events after the balance sheet date). The agreement entered into in September provided for the sale of a 29.75% minority stake in Deutsche Postbank AG to Deutsche Bank AG for €2.79 billion or €57.25 per share. Approval was granted by the relevant regulatory and competition authorities and by the German government in November. Furthermore, mutual call and put options for additional shares in Deutsche Postbank AG have been agreed. Deutsche Post AG has granted Deutsche Bank AG the option of acquiring an additional 18.0% of the shares of Deutsche Postbank AG for €55.00 per share. This option can be exercised between 12 and 36 months after the acquisition of the 29.75% stake has been completed. At the same time, Deutsche Post AG has been granted a put option: It is entitled to sell its remaining stake of 20.25% plus one share in the Deutsche Postbank Group to Deutsche Bank AG for €42.80 per share. Deutsche Post AG can exercise its option between 21 and 36 months after the sale of its minority stake to Deutsche Bank has been completed. In addition, Deutsche Post AG has granted Deutsche Bank AG a right of first refusal for its remaining shares in the Deutsche Postbank Group. Deutsche Bank can pay for the stakes from both options in cash or fully or partially with its own shares. In accordance with IAS 39.2 (g), the options do not fall within the scope of IAS 39 and therefore do not affect accounting. As at 31 December 2008, the fair values of the options amounted to €–49 million and €1,220 million.

In addition, Deutsche Post AG participated as majority shareholder in a capital increase carried out by Deutsche Postbank AG in November 2008. Deutsche Post AG undertook to purchase all shares not subscribed for by other investors, in addition to its existing interest. As a result, its shareholding in Deutsche Postbank AG increased to 62.35%. The capital increase gave rise to negative goodwill amounting to €81 million which was reversed to income. Further explanations can be found in Notes 21 and 38.

In November 2008, the Group announced that it would withdraw from the domestic US express business at the beginning of 2009. The Group will concentrate on its international core competencies in the US express market in future and will discontinue its domestic air and ground express business at the end of January 2009. However, the full range of the Group's international products will continue to be offered in the USA. The total restructuring costs will amount to around US$3.9 billion, spread over two years. Expenses in the amount of €2,117 million were already incurred for the planned measures in financial year 2008.

As a result of the impairment test in respect of the Supply Chain Cash Generating Unit (CGU – smallest identifiable group of assets), an impairment loss amounting to €436 million was recognised. The CGU's recoverable amount of €2,939 million was less than its carrying amount of €3,375 million. A further impairment loss of €174 million was recognised on goodwill for the CIS CGU, since its carrying amount of €814 million was higher than its recoverable amount of €640 million. The Group also resolved to discontinue using the Exel brand. As at 31 December 2008, the brand name was fully written down in an amount of €382 million. Further details can be found in Note 26 (Intangible assets).

On 1 July 2008, the European Court of First Instance in Luxembourg annulled the European Commission's state aid ruling of 2002. At the time, the Commission had ordered Deutsche Post AG to repay alleged state aid and interest amounting to €907 million to the Federal Republic of Germany. The Commission had ruled that, between 1994 and 1998, Deutsche Post AG misused state aid intended to finance the universal service as a cross-subsidy to cover its costs in the competitive market segment where it carries parcels for business customers. Deutsche Post AG appealed against the ruling in the same year. In August 2008, Deutsche Post AG received €1,067 million back from the German federal government on the basis of this ruling. Information on subsequent developments can be found in Note 54 (Litigation).

The sale of Deutsche Post AG real estate to US investor Lone Star took economic effect on 1 July 2008. The real estate comprised properties located mainly in Germany with a residual carrying amount of €927 million. The first payment of the purchase price amounting to €250 million was made in June 2008; a further €661 million was paid in December. The Group will lease back the majority of the properties under operating leases. In the course of the period, the properties were reported as assets held for sale. The impairment losses of €25 million arising from their measurement under IFRS 5 were reported under other operating expenses.

The following table presents an overview of the impact of significant non-recurring items on profit or loss from operating activities (EBIT) in financial year 2008 (at Group level):

Significant non-recurring items

€m	1 January to 31 December 2008
Profit from operating activities (EBIT) before non-recurring items	2,410
Repayment of state aid	+572
Restructuring and reorganisation expenses for the US express business	–2,117
Impairment of goodwill in the SUPPLY CHAIN/CIS Division	–610
Restructuring and reorganisation expenses (other areas of the Group)	–440
Exel brand name fully written down	–382
Loss from operating activities (EBIT) after non-recurring items	–567

4 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 2008:

On 13 October 2008, the IASB published amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and to IFRS 7 (Financial Instruments: Disclosures) to reflect current developments in the financial markets. As a result of the amendments, it is now possible, subject to certain conditions, to reclassify financial assets at fair value through profit or loss to other categories. Furthermore, financial assets in the available-for-sale category may also be reclassified as loans and receivables in future, subject to certain conditions. These amendments were adopted into European law by the Commission of the European Communities by way of Commission Regulation (EC) No. 1004/2008 dated 15 October 2008 and entered into effect on 17 October 2008. The Deutsche Postbank Group has made use of these amendments. Further details can be found in Note 38.

New accounting pronouncements adopted by the European Union

IFRS 8 (Operating Segments), which supersedes the existing IAS 14 (Segment Reporting), contains new provisions relating to the presentation of segment reporting. IFRS 8 requires segment reporting to be based on the management approach. Under this approach, the definition of the segments and the disclosures for each segment are based on the information used internally by management for the purposes of allocating resources to the components of the entity and assessing their performance. Application of IFRS 8 is mandatory for periods beginning on or after 1 January 2009. The first-time application of IFRS 8 is not expected to have any significant effects on the consolidated financial statements.

IAS 23 (Borrowing Costs), which was revised in 2007, requires borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets to be capitalised. The existing option to recognise borrowing costs immediately as an expense will no longer be available. Application of IAS 23 (as revised in 2007) is mandatory for financial years beginning on or after 1 January 2009. Application of the new provisions will have no significant effects on the consolidated financial statements.

In January 2008, the IASB issued a revision of IFRS 2 (Share-based Payment). The revision clarifies that vesting conditions are service conditions and performance conditions only. Cancellations of the payment plan (annulment) should receive the same accounting treatment irrespective of whether the payment plan is cancelled by the entity or by another party. Previously, IFRS 2.28 applied explicitly only to cancellations by the entity. Application of the revision is mandatory from 1 January 2009. The first-time application of the revised Standard will have no significant effects on the consolidated financial statements.

IFRIC 11 (IFRS 2 Group and Treasury Share Transactions) clarifies the issue of how IFRS 2 should be applied to share-based payment arrangements involving the grant of the entity's own equity instruments or equity instruments of another entity within the same group. The Interpretation is effective for financial years beginning on or after 1 March 2007. As part of the endorsement by the European Union, application of the Interpretation is not mandatory as of the date of initial application envisaged by the IASB, but only starting in financial year 2009. The first-time application of IFRIC 11 is not expected to have any significant effect on the consolidated financial statements.

IFRIC 13 (Customer Loyalty Programmes) sets out the accounting treatment of revenues arising in connection with customer loyalty programmes operated by the manufacturers or service providers themselves or by third parties. As part of the endorsement by the European Union, application of the Interpretation is not mandatory as of the date of initial application envisaged by the IASB, but only starting in financial year 2009. The first-time application of the Interpretation will not have any significant effects on the consolidated financial statements.

IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) was issued on 5 July 2007 and supplements the existing provisions of IAS 19 relating to the limit on the measurement of a defined benefit asset (IAS 19.58 ff.). In addition, the Interpretation sets out how the requirement to limit a defined benefit asset should be applied in the event of statutory or contractual minimum funding requirements. As part of the endorsement by the European Union in December 2008, application of the Interpretation is not mandatory as of the date of initial application envisaged by the IASB, but only starting in financial years beginning on or after 31 December 2008. The first-time application of IFRIC 14 is not expected to have any significant effects on the consolidated financial statements.

The revision of IAS 1 (Presentation of Financial Statements) is intended to improve users' ability to analyse and compare the information given in financial statements. The changes relate mainly to revised designations for the income statement, balance sheet and cash flow statement, the introduction of a statement of certain non-owner changes in equity and the obligation to publish an opening balance sheet for the earliest period presented that is affected by a retrospective change of accounting policy or restatement. Application of the revised Standard is mandatory for financial years beginning on or after 1 January 2009. The first-time application of the revised Standard will have no significant effects on the presentation of the consolidated financial statements.

In February 2008, the IASB issued amendments to IAS 32 (Financial Instruments: Disclosure and Presentation). The revision permits puttable instruments to be classified as equity in certain circumstances. The revision of the Standard is intended to allow German partnerships to classify their partnership capital as equity in IFRS consolidated financial statements. Application of the revised Standard is mandatory for periods beginning on or after 1 January 2009. The revised Standard will not apply to the consolidated financial statements.

In May 2008, the IASB issued amendments relating to IFRS 1 (First-Time Adoption of International Financial Reporting Standards) and to IAS 27 (Consolidated and Separate Financial Statements). The amendment to IFRS 1 provides that, in the IFRS opening balance sheet of its separate financial statements, an entity may report the carrying amount of its investment in subsidiaries, jointly controlled entities and associates either at the fair value of the investment at the date of transition to IFRS or at its carrying amount at that date resulting from previously applied accounting principles, instead of at cost. The amendments to IAS 27 remove the definition of the cost method. The requirement to recognise distributions of profits arising before the date of acquisition of the subsidiary as a reduction of the cost of the investment therefore no longer applies. In addition, when a new parent company is formed as a result of a reorganisation, the cost of its investment in the previous parent company is measured at the carrying amount of its share of the equity items shown in the separate financial statements of the previous parent company at the date of the reorganisation. The amendments must be applied prospectively for financial years beginning on or after 1 January 2009. The amendments will not affect the consolidated financial statements since the Group is not applying the requirements of IFRS for the first time.

In May 2008, the IASB issued Improvements to International Financial Reporting Standards 2008, the first standard resulting from its annual improvement process which is intended to deal with minor amendments to existing IFRS. The Standard is divided into two parts containing amendments to 19 IFRS and mainly comprises clarifications of existing provisions. Part I contains amendments that may result in changes for presentation, recognition, or measurement purposes. Part II contains amendments representing terminology or editorial changes. Unless provided otherwise in the individual case, the amendments are effective for financial years beginning on or after 1 January 2009. A significant effect on the consolidated financial statements is not expected as a result of the above.

New accounting requirements not yet adopted by the European Union (endorsement procedure)

The IASB and the IFRIC have issued further Standards and Interpretations whose application is not yet mandatory for financial year 2008. The application of these IFRS is dependent on their adoption by the European Union.

The revised versions of IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements) contain the following amendments: For the purpose of accounting for acquisitions of less than 100% of the shares of an entity, an option is introduced which allows the entire amount of goodwill arising on the acquisition to be recognised, i.e. including the portion attributable to minorities (the "full goodwill method"). In addition, acquisitions and partial disposals of shares where control is retained are accounted for as equity transactions with owners, and gains or losses are not recognised. The full amount of the transaction costs associated with the acquisition is recorded as an expense. Application of the revised Standards is mandatory for business combinations in financial years beginning on or after 1 July 2009. The effects on the consolidated financial statements are currently being assessed.

In July 2008, amendments to IAS 39 (Financial Instruments: Recognition and Measurement) were published relating to eligible hedged items in the context of hedge accounting. The purpose of the amendments was to provide guidance for use in designating hedging instruments, since inconsistencies occur in practice in particular with respect to accounting for a one-sided risk and for inflation as a component of a hedged item. Retrospective application of the amendments is mandatory for financial years beginning on or after 1 July 2009. The effects on the consolidated financial statements are currently being assessed.

In November 2008, a clarification was issued with respect to the effective date of the amendments published in October relating to the rules for reclassifications of financial assets. According to the clarification, reclassifications made on or after 1 November 2008 are effective from that date and may not be applied retrospectively. Reclassifications made before 1 November 2008 may be applied retrospectively to 1 July 2008 or a later date. The rule permitting reclassifications may not be applied at a date before 1 July 2008. The clarification applies only to the Deutsche Postbank Group, which has made use of the reclassification option (see Note 38).

IFRIC 12 (Service Concession Arrangements) sets out the accounting treatment for arrangements whereby public-sector bodies grant contracts for the supply of public services to private operators. In order to supply these services, the private operator makes use of infrastructure that remains within the control of the public-sector grantor. The private operator is responsible for the construction, operation and maintenance of the infrastructure. Application of the Interpretation is mandatory for financial years beginning on or after 1 January 2008. The Interpretation has not yet been adopted by the European Union and was therefore not applied by the Group in financial year 2008. The first-time application of IFRIC 12 is not expected to have any significant effect on the consolidated financial statements of Deutsche Post AG.

IFRIC 15 (Agreements for the Construction of Real Estate), published in July 2008, addresses the issue of whether real estate developers should apply IAS 11 (Construction Contracts) or IAS 18 (Revenue). It also clarifies the date at which revenue from real estate construction should be recognised. Retrospective application of IFRIC 15 is mandatory for financial years beginning on or after 1 January 2009. The Interpretation will not apply to the consolidated financial statements.

IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) clarifies that the foreign currency risk arising between the functional currency of the foreign operation and the functional currency of a parent entity may be designated as a hedged risk. The hedging instruments may be held by any entity within the Group. Foreign currency differences arising from the measurement of the hedging instrument are recognised directly in equity in accordance with IAS 39. The date at which gains and losses are reclassified from equity to profit or loss is governed by IAS 21. The Interpretation is effective for financial years beginning on or after 1 October 2008. The Interpretation must be applied prospectively. IFRIC 16 will have no effect on the consolidated financial statements since hedges of a net investment in a foreign operation already comply with the provisions of the Interpretation.

IFRIC 17 (Distributions of Non-cash Assets to Owners) was issued on 27 November 2008. The Interpretation provides that a liability to distribute a non-cash dividend must be recognised at the date at which the distribution is no longer at the discretion of the entity (this may be when the dividend is authorised or when it is announced, depending on the statutory provisions in the particular country). Application of the Interpretation is mandatory for annual periods beginning on or after 1 July 2009. This Interpretation will not apply to the consolidated financial statements of Deutsche Post AG.

5 Restatements of prior-period amounts

In accordance with IAS 1.35, the effects of foreign currency hedging are reported under net finance costs/net financial income on a net basis, as this better reflects the economic substance of the transactions.

Clarity of the cash flow statement was improved. Further information can be found in Note 50. The prior-year figures were restated accordingly.

The method of reporting income tax provisions and income tax liabilities was also changed. They are now shown on a combined basis as income tax obligations. The prior-year figures were restated accordingly.

During financial year 2008, Deutsche Postbank Group changed its method of measuring building finance loans reported at fair value by introducing additional measurement parameters. This resulted in an optimisation of the procedure for calculating fair value. The retrospective adjustments to net profit required led to changes in loans and advances to customers, deferred taxes and retained earnings.

Restatements of prior-year figures

€m	2007	Adjustments	2007 restated
Restatement of Deutsche Postbank Group figures			
Deferred tax assets	1,020	+20	1,040
Receivables and other securities from financial services (loans and advances to customers)	193,986	–66	193,920
Retained earnings	8,976	–23	8,953
Minority interest	2,801	–23	2,778
Profit/loss from discontinued operations			
Consolidated net profit for the period	1,885	–12	1,873
of which attributable to Deutsche Post AG shareholders	1,389	–6	1,383
of which attributable to minorities	496	–6	490
Reclassifications			
Income tax provisions	334	–334	0
Income tax liabilities	139	–139	0
Income tax obligations	–	+473	473

In keeping with the presentation of the Deutsche Postbank Group as a discontinued operation in accordance with IFRS 5, all amounts in the income statement relating to Deutsche Postbank Group, both for the year under review and for the previous year, were reclassified and reported under profit/loss from discontinued operations. Further details can be found in Note 21.

6 Currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros (€) in accordance with IAS 21 using the functional currency method. The functional currency of foreign companies is determined by the primary economic environment in which they mainly generate and use cash. Within the Group, the functional currency is predominantly the local currency. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rates, whilst income and expenses are generally translated at the monthly closing rates. The resulting currency translation differences are taken directly to equity. In financial year 2008, currency translation differences amounting to €500 million (previous year: €446 million) were recognised directly in equity (see also the statement of changes in equity).

Goodwill arising from business combinations after 1 January 2005 is treated as an asset of the acquired company and carried in the functional currency of the acquired company accordingly.

The exchange rates for the currencies that are significant for the Group were as follows:

		Closing rates		Average rates	
Currency	Country	2007 EUR 1 =	2008 EUR 1 =	2007 EUR 1 =	2008 EUR 1 =
USD	USA	1.4708	1.40920	1.37145	1.474175
CHF	Switzerland	1.65708	1.48967	1.64364	1.579211
GBP	UK	0.73558	0.97230	0.68441	0.80463
SEK	Sweden	9.41621	10.92292	9.25393	9.687032

The carrying amounts of non-monetary assets recognised in the case of consolidated companies operating in hyperinflationary economies are generally indexed in accordance with IAS 29 and thus reflect the current purchasing power at the balance sheet date.

In accordance with IAS 21, receivables and liabilities in the single-entity financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate as at the balance sheet date. Currency translation differences are recognised in other operating income and expenses in the income statement. In financial year 2008, income of €269 million (previous year: €262 million) and expenses of €269 million (previous year: €266 million) resulted from currency translation differences. In contrast, currency translation differences relating to net investments in a foreign operation are recognised in equity.

7 Accounting policies

The consolidated financial statements are prepared on the basis of historical costs, with the exception of specific financial instruments to be recognised at their fair value.

Revenue and expense recognition

Revenue and income from banking transactions, as well as other operating income, is generally recognised when services are rendered, the amount of revenue and income can be reliably measured and in all probability the economic benefits from the transactions will flow to the Group. Operating expenses are recognised in the income statement when the service is utilised or when the expenses are incurred.

Intangible assets

Intangible assets are measured at amortised cost. Intangible assets reported include internally generated and purchased intangible assets and purchased goodwill.

Internally generated intangible assets are capitalised at cost, if it is probable that their production will generate an inflow of future economic benefits and the costs can be reliably measured. In the Group, this concerns internally developed software. If the criteria for capitalisation are not met, the expenses are recognised immediately in the income statement in the year in which they are incurred.

In addition to direct costs, the production cost of internally developed software includes an appropriate share of allocable production overhead costs. Any borrowing costs incurred are not included in production costs. Value-added tax arising in conjunction with the acquisition or production of intangible assets is included in the cost if it cannot be deducted as input tax. Capitalised software is amortised using the straight-line method over useful lives of between two to five years.

Intangible assets are amortised using the straight-line method over their useful lives. Licences are amortised over the term of the licence agreement. Capitalised customer relationships are amortised using the straight-line method over a period of 5 to 18 years. Impairment losses are recognised in accordance with the principles described in the section headed “Impairment”.

Intangible assets with indefinite useful lives (e.g. brand names) are not amortised but are tested for impairment annually or whenever there are indications of impairment. Impairment testing is carried out in accordance with the principles described in the section headed “Impairment”.

Property, plant and equipment

Property, plant and equipment is carried at cost, reduced by accumulated depreciation and valuation allowances. In addition to direct costs, production costs include an appropriate share of allocable production overhead costs. Borrowing costs are not included in the production costs. They are expensed directly. Value-added tax arising in conjunction with the acquisition or production of items of property, plant or equipment is included in the cost if it cannot be deducted as input tax. Depreciation is generally charged using the straight-line method. The Group uses the estimated useful lives indicated below for depreciation. If there are indications of impairment, the principles described in the section headed “Impairment” are applied.

Useful lives

years

	2007	2008
Buildings	5 to 50	5 to 50
Technical equipment and machinery	3 to 10	3 to 10
Passenger vehicles	4 to 6	4 to 6
Trucks	5 to 8	5 to 8
Aircraft	15 to 20	15 to 20
Other vehicles	3 to 8	3 to 8
IT systems	3 to 8	3 to 8
Other operating and office equipment	3 to 10	3 to 10

Impairment

At each balance sheet date, the carrying amounts of intangible assets, property, plant and equipment, and investment property are reviewed for indications of impairment. If there are any such indications, an impairment test must be carried out. For this purpose, the recoverable amount of the relevant asset is determined and compared with its carrying amount.

In accordance with IAS 36, the recoverable amount is the asset’s fair value less costs to sell or its value in use, whichever is higher. The value in use is the present value of the pre-tax cash flows expected to be derived from the asset in future. The discount rate used is a pre-tax rate reflecting current market conditions. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets (CGU) to which the asset in question can be allocated and which generates independent cash flows. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in respect of the asset. If, after an impairment loss has been recognised, a higher recoverable amount is determined for the asset or the CGU at a later date, the impairment loss is reversed up to a carrying amount which does not exceed the recoverable amount. The increased carrying amount attributable to the reversal of the impairment loss is limited to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised in the past. The reversal of the impairment loss is recognised in the income statement. Impairment losses recognised in respect of goodwill may not be reversed.

Since January 2005, goodwill has been accounted for using the “impairment-only approach” in accordance with IFRS 3. This stipulates that goodwill must be subsequently measured at cost, less any cumulative adjustments from impairment losses. Purchased goodwill is therefore no longer amortised and instead is tested for impairment annually in accordance with IAS 36, regardless of whether any indication of possible impairment exists, as in the case of intangible assets with an indefinite useful life. In addition, the obligation remains to conduct an impairment test if there is any indication of impairment. Goodwill resulting from company acquisitions is allocated to the identifiable groups of assets (CGU or groups of CGU) that are expected to benefit from the synergies of the acquisition. These groups represent the lowest reporting level at which the goodwill is monitored for internal management purposes. The carrying amount of a CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Where impairment losses are recognised in connection with CGU to which goodwill has been allocated, the existing carrying amount of the goodwill is reduced first. If the amount of the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated to the remaining non-current assets in the CGU.

Finance leases

A lease financing transaction is an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, beneficial ownership of leased assets is attributed to the lessee if the lessee bears substantially all the risk and rewards incident to ownership of the leased asset. To the extent that beneficial ownership is attributable to the Group, the asset is capitalised at the date on which use starts, either at fair value or at the present value of the minimum lease payments if this is less than the fair value. A lease liability in the same amount is recognised under non-current liabilities. The lease is measured subsequently at amortised cost using the effective interest method. The depreciation methods and estimated useful lives correspond to those of comparable purchased assets.

Operating leases

For operating leases, the Group as the lessor reports the leased asset at amortised cost as an asset under property, plant and equipment. The lease payments recognised in the period are shown under other operating income. As a lessee, the lease payments made are recognised as lease expense under materials expense.

Investments in associates

Investments in associates are carried at equity in accordance with IAS 28 (Accounting for Investments in Associates). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investment is increased or reduced to reflect the share of earnings, dividends distributed and other changes in the equity of the associates attributable to the investments of Deutsche Post AG or its consolidated subsidiaries. The goodwill contained in the carrying amounts of the investments is accounted for in accordance with IFRS 3. Investments in companies accounted for using the equity method are written down as impaired if the recoverable amount falls below the carrying amount.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and primary and derivative financial assets held for trading. Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity. These mainly comprise trade payables, liabilities to banks, liabilities arising from bonds and finance leases, and derivative financial liabilities.

Fair value option

The Group applied the fair value option for the first time for financial year 2006. Under this option, financial assets or financial liabilities may be measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). The Group made use of the option in order to avoid accounting mismatches. The Deutsche Postbank Group applies the fair value option solely in relation to specific building finance loan portfolios that are hedged by interest rate derivatives. The use of the fair value option avoids an accounting mismatch that arises from reporting the loans at amortised cost whilst changes in the fair value of the hedging instruments are recognised in profit or loss. In another case, the fair value option has been applied in order to neutralise the effects on the income statement of a liability indexed to share prices that is linked to financial instruments which would originally have been classified as available for sale. The cash flows arising from the contract vary depending on the movement in the index. Under the terms of IAS 39, changes in the fair value of the related financial assets would have had to be reported directly in equity. As a result of applying the fair value option, the effects of changes in the fair value of both financial instruments offset each other in the income statement.

Financial assets

Financial assets are accounted for in accordance with the provisions of IAS 39 which distinguishes between four categories of financial instruments.

Available-for-sale financial instruments are non-derivative financial assets and are carried at their fair value where this can be measured reliably. If a fair value cannot be determined, they are carried at cost. Changes in fair value between reporting dates are generally recognised in the revaluation reserve in equity. The reserve is reversed to income either upon disposal or if the fair value falls below cost more than temporarily. If, at a subsequent balance sheet date, the fair value has increased objectively as a result of events occurring after the impairment loss was recognised, the impairment loss is reversed in the appropriate amount. Impairment losses recognised in respect of unquoted equity instruments may not be reversed. Available-for-sale financial instruments are allocated to non-current assets unless the intention is to dispose of them within 12 months of the balance sheet date. In particular, investments in unconsolidated subsidiaries, financial instruments and other equity investments are reported in this category.

Financial instruments are classified as held to maturity if there is an intention to hold the instrument to maturity and the economic conditions for doing so are met. Held-to-maturity financial instruments are non-derivative financial assets that are measured at amortised cost using the effective interest method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. Unless held for trading, they are recognised at cost or amortised cost at the balance sheet date. The carrying amounts of money market placements correspond approximately to their fair values due to their short maturity. Loans and receivables are considered current assets if their maturity is not more than 12 months after the balance sheet date; otherwise, they are recognised as non-current assets. If the recoverability of receivables is in doubt, they are recognised at amortised cost, less appropriate specific allowances. A write-down on trade receivables is recognised if there are objective indications that the amount of the outstanding receivable cannot be collected in full. The write-down is recognised in the income statement via a valuation account.

All financial instruments held for trading and derivatives that do not satisfy the criteria for hedge accounting are assigned to the category “at fair value through profit or loss”. They are generally measured at fair value. All changes in fair value are recognised in income. All financial instruments in this category are accounted for at the trade date. Assets in this category are recognised as current assets if they are either held for trading or will likely be realised within 12 months of the balance sheet date.

To avoid variations in net profit resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible and economically useful. Gains and losses from the derivative and the related hedged item are simultaneously recognised in income. Depending on the hedged item and the risk to be hedged, the Group uses fair value hedges and cash flow hedges.

The carrying amounts of financial assets not carried at fair value through profit or loss are tested for impairment at each balance sheet date and whenever there are indications of impairment. The amount of any impairment loss is determined by comparing the carrying amount and the fair value. If there are objective indications of impairment, an impairment loss is recognised in the income statement under other operating expenses or net finance costs. Impairment losses are reversed if there are objective reasons arising after the balance sheet date indicating that the reasons for impairment no longer exist. The increased carrying amount resulting from the reversal of the impairment loss may not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if the impairment loss had not been recognised.

Impairment losses are recognised within the Group if the debtor is experiencing significant financial difficulties, it is highly probable that the debtor will be the subject of bankruptcy proceedings, there ceases to be an active market for a financial instrument, there are material changes in the issuer's technological, economic, legal or market environment, or the fair value of a financial instrument falls below its amortised cost for a significant period.

A fair value hedge hedges the fair value of recognised assets and liabilities. Changes in the fair value of both the derivatives and the hedged item are simultaneously recognised in income.

A cash flow hedge hedges the fluctuations in future cash flows from recognised assets and liabilities (in the case of interest rate risks), highly probable forecast transactions as well as unrecognised firm commitments that entail a currency risk. The effective portion of a cash flow hedge is recognised in the hedging reserve in equity. Ineffective portions resulting from changes in the fair value of the hedging instrument are recognised directly in income. The gains and losses generated by the hedging transactions are initially recognised in equity and are then reclassified into profit or loss in the period in which the asset acquired or liability assumed affects profit or loss. If a hedge of a firm commitment subsequently results in the recognition of a non-financial asset, the gains and losses recognised directly in equity are included in the initial carrying amount of the asset (basis adjustment).

Hedges of net investments (net investment hedges) in foreign entities are treated in the same way as cash flow hedges. The gain or loss from the effective portion of the hedge is recognised in equity, whilst the gain or loss attributable to the ineffective portion is recognised directly in income. The gains or losses taken directly to equity continue to be recognised in equity until the disposal or partial disposal of the net investment. Detailed information on hedging transactions can be found in Note 51.2.

Regular way purchases and sales of financial assets are recognised at the settlement date. A financial asset is derecognised if the rights to receive the cash flows from the asset have expired. Upon transfer of a financial asset, a review is made under the disposal rules pursuant to IAS 39 as to whether the asset should be derecognised. A disposal gain/loss arises upon disposal. The remeasurement gains/losses recognised directly in equity in prior periods must be reversed as at the disposal date. Financial liabilities are derecognised if the payment obligations arising from them have expired.

Investment property

In accordance with IAS 40, investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the supply of services or for administrative purposes or for sale in the normal course of the company's business. It is measured in accordance with the cost model. Depreciable investment property is depreciated over a period of between 5 and 50 years. The fair value is determined on the basis of expert opinions. Impairment losses are recognised in accordance with the principles described under the section headed "Impairment".

Inventories

Inventories are assets that are held for sale in the ordinary course of business, are in the process of production, or are consumed in the production process or in the rendering of services. They are measured at the lower of cost and net realisable value. Valuation allowances are charged for obsolete inventories and slow-moving goods.

Government grants

In accordance with IAS 20, government grants are recognised at their fair value only when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. The grants are reported in the income statement and are generally recognised as income over the periods in which the costs which they are intended to compensate are incurred. Where the grants relate to the purchase or production of assets, they are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Assets held for sale and liabilities associated with assets held for sale

Assets held for sale are assets available for sale in their present condition and whose sale is highly probable. They may consist of individual non-current assets, groups of assets (disposal groups) or components of an entity (discontinued operations). Liabilities intended to be disposed of together with the assets in a single transaction form part of the disposal group or discontinued operation and are also reported separately as liabilities associated with assets held for sale. Assets held for sale are no longer depreciated or amortised, but are recognised at the lower of their fair value less costs to sell and the carrying amount. Gains and losses arising from the remeasurement of individual non-current assets or disposal groups classified as held for sale are reported in the profit or loss from continuing operations until the final date of disposal. Gains and losses arising from the measurement to fair value less costs to sell of discontinued operations classified as held for sale are reported in the profit or loss from discontinued operations. This also applies to the profit or loss from operations of these components of an entity and the gain or loss on disposal.

Receivables and other securities as well as liabilities from financial services (Deutsche Postbank Group)

For financial year 2008, receivables and other securities as well as liabilities from financial services are reported in the assets held for sale and liabilities associated with assets held for sale balance sheet items. Financial year 2007 is the last year for which the operating activities of the Deutsche Postbank Group are presented in the balance sheet items receivables and other securities from financial services and liabilities from financial services.

Whether or not there is an active market for a financial instrument is relevant for assessing the accounting policies for the financial instrument in question. According to IAS 39.AG71, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the conditions mentioned do not exist, there is an inactive market.

Loans and advances to other banks and customers are generally recognised at amortised cost ("loans and receivables" category). This category also includes money market lendings. Premiums and discounts including transaction costs are recognised in the income statement under net interest income. Interest accrued on loans and advances as well as premiums and discounts are reported together with the loans and advances to which they relate under the relevant balance sheet items. Premiums and discounts are deferred using the effective interest method.

Identifiable credit risks are covered by specific valuation allowances (or collective valuation allowances). In addition, portfolio-based valuation allowances are recognised for groups of financial assets with similar default risk profiles in respect of risks that have arisen but have not yet been identified. The amounts of the allowances are determined on the basis of Basel II parameters (expected default rates and probability). The allowance for losses on loans and advances is deducted from assets as a separate balance sheet item. It comprises the allowance for losses on loans and advances to other banks and customers.

Trading assets comprise securities and derivatives with positive fair values acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins. They also include the positive fair values of banking book derivatives and derivatives associated with hedged items measured under the fair value option. These transactions are recognised at the trade date. Trading assets are measured at their fair values. Remeasurement gains and losses as well as gains or losses on the sale or disposal of trading assets are recognised in net trading income. If there are publicly quoted market prices on an active market as defined by IAS 39. AG 71 ff., these are generally used as the fair value; if this is not the case, fair value is determined using recognised valuation models.

Investment securities are composed of bonds not held for trading and other fixed-income securities, equities and other non-fixed-income securities. Investment securities are recognised at the settlement date and are measured at cost at the time of initial recognition. Held-to-maturity bonds and securities not listed on an active market are carried at amortised cost. Premiums and discounts are allocated directly to the financial instruments and deferred over the remaining maturity using the effective interest method.

Liabilities and subordinated debt are carried at amortised cost (IAS 39.47). The carrying amount of hedged liabilities that meet the requirements for hedge accounting is adjusted for the gains and losses from changes in fair value attributable to the hedged risk. Premiums, discounts and issue costs are recognised in net interest income by applying the effective interest method.

Trading liabilities comprise derivatives with negative fair values that were acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins. They also include the negative fair values of banking book derivatives. Remeasurement gains and losses as well as gains or losses realised on the settlement of trading liabilities are recognised in net trading income. Derivatives carried under trading liabilities are recognised at the trade date.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term liquid financial assets with an original maturity of up to three months and are carried at their principal amount. Overdraft facilities used are recognised in the balance sheet as amounts due to banks.

Share-based remuneration

In accordance with IFRS 2, the stock option plan for executives is measured using investment techniques based on option pricing models. The objective is to determine a fair value for options. A stochastic simulation model is used for this purpose, which assumes a logarithmic normal distribution of the returns on Deutsche Post shares and the Dow Jones EURO STOXX Total Return Index and is therefore based on the same fundamental assumption as the Black-Scholes model. The options are measured at fair value on the grant date. The fair value thus calculated for probable options is recognised in income under staff costs and allocated over the term of the options.

Stock appreciation rights (SAR) issued to members of the Board of Management and executives are measured on the basis of a recognised option pricing model in accordance with IFRS 2. The amount determined for SAR that will probably not lapse is recognised in income under staff costs to reflect the services rendered as consideration during the vesting period (lock-up period). A provision is recognised for the same amount.

Pension obligations

In a number of countries, the Group maintains defined benefit pension plans based on the pensionable compensation and length of service of employees. Most of these benefit plans are funded through external pension funds. Provisions for pensions are measured using the projected unit credit method prescribed by IAS 19 for defined benefit plans. In accordance with IAS 19.92, actuarial gains and losses are recognised only to the extent that they exceed the greater of 10% of the present value of the obligations and of the fair value of plan assets. The excess is allocated over the expected remaining working lives of active employees and recognised in income. The interest component of pension expenses is reported under net finance costs/net financial income.

The Group also contributes to a number of defined contribution plans. Contributions to these defined contribution pension plans are recognised as staff costs when they are due. In 2008, employer contributions amounting to €154 million were paid in respect of these plans (previous year: €175 million).

Pension plans for civil servant employees in Germany

In addition to the state pension system operated by the statutory pension insurance funds, to which contributions for hourly workers and salaried employees are remitted in the form of non-wage costs, Deutsche Post AG and Deutsche Postbank AG pay contributions to defined contribution plans in accordance with statutory provisions.

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

Under the provisions of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German posts and telecommunications reorganisation act), Deutsche Post AG and Deutsche Postbank AG make benefit and assistance payments via a special pension fund to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. The amount of the payment obligations of Deutsche Post AG and Deutsche Postbank AG is governed by Section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost former employees act). Since 2000, both companies have been legally obliged to pay into this special pension fund an annual contribution of 33% of the pensionable gross compensation of active civil servants and the notional pensionable gross compensation of civil servants on leave of absence. In the year under review, Deutsche Post AG paid contributions of €560 million (previous year: €560 million) and Deutsche Postbank AG paid contributions of €114 million (previous year: €111 million) to Bundes-Pensions-Service für Post und Telekommunikation e.V.

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

Pension plans for hourly workers and salaried employees

The benefit obligations for the Group's hourly workers and salaried employees relate primarily to pension obligations in Germany and significant funded obligations in the UK, the Netherlands, Switzerland and the USA. There are various commitments to individual groups of employees. The commitments usually depend on length of service and final salary (e.g. the UK), are based on the amount of contributions paid (e.g. Switzerland), or take the form of a flat-rate contribution system (e.g. Germany). The obligations for defined benefit plans are measured using the projected unit credit method prescribed by IAS 19. Future obligations are determined using actuarial principles and on the basis of actuarial and economic assumptions. The expected benefits are built up over the entire length of service of the employees, taking into account changes in key parameters.

The majority of the defined benefit plans in Germany relate to Deutsche Post AG. The defined benefit obligations of the Deutsche Postbank Group are almost entirely related to pension plans in Germany.

Other provisions

Other provisions are recognised for all legal or constructive obligations to third parties existing at the balance sheet date that have arisen as a result of past events, are expected to result in an outflow of future economic benefits and whose amount can be measured reliably. They represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk, region and time until settlement of the obligation. The table below shows a sample of the interest rates applied:

Region	1 to 6 years	More than 6 years
Euro zone	5.25%	5.50%
UK	5.50%	5.75%
Switzerland	4.00%	4.25%
Japan	2.00%	2.50%
Latin America and Africa	18.75%	19.50%

For the home savings business (Deutsche Postbank Group), provisions are recognised, based on the different tariffs and conditions applicable to the contracts, for uncertain liabilities relating to reimbursements of arrangement fees and for retroactively payable interest rate bonuses where loans have not been taken up or there has been a change in the applicable interest rate or tariff of the contract. These provisions are calculated as a percentage of the total potential liability, based on the statistical data available relating to customer behaviour and taking into account the general environment likely to affect the business in the future.

The technical reserves (insurance) consist mainly of outstanding loss reserves and IBNR (incurred but not reported claims) reserves. Outstanding loss reserves represent estimates of ultimate obligations in respect of actual claims or known incidents expected to give rise to claims, which have been reported to the company but have yet to be finalised and presented for payment. Outstanding loss reserves are based on individual claim valuations carried out by the company or its ceding insurers. IBNR reserves represent estimates of ultimate obligations in respect of incidents taking place on or before the balance sheet date which have not been reported to the company but will nonetheless give rise to claims in the future. Such reserves also include provisions for potential errors in settling outstanding loss reserves. The company carries out its own assessment of ultimate loss liabilities using actuarial methods and also commissions an independent actuarial study of these each year as a means of verifying the reasonableness of its estimates.

Financial liabilities

On initial recognition, financial liabilities are carried at fair value less transaction costs. The price determined on a price-efficient and liquid market or a fair value determined using the treasury risk management system deployed within the Group is taken as the fair value. In subsequent periods the financial liabilities are measured at amortised cost. Any differences between the amount received and the amount repayable are recognised in income over the term of the loan using the effective interest method.

Liabilities

Trade payables and other liabilities are carried at amortised cost. The fair value of the liabilities corresponds more or less to their carrying amount.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for temporary differences between the carrying amounts in the IFRS financial statements and the tax accounts of the individual entities. Deferred tax assets also include tax reduction claims which arise from the expected future utilisation of existing tax loss carryforwards and which are likely to be realised. In compliance with IAS 12.24 (b) and IAS 12.15 (b), deferred tax assets or liabilities were only recognised for temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG and Deutsche Postbank AG where the differences arose after 1 January 1995. No deferred tax assets or liabilities can be recognised for temporary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG and Deutsche Postbank AG as at 1 January 1995. Further details on deferred taxes from tax loss carryforwards can be found in Note 19.

In accordance with IAS 12, deferred tax assets and liabilities are calculated by using the tax rates applicable in the individual countries at the balance sheet date or announced for the time when the deferred tax assets and liabilities are realised. The tax rate of 29.8% applied to German Group companies comprises the corporation tax rate plus the solidarity surcharge, as well as a municipal trade tax rate which is calculated as the average of the different municipal trade tax rates. Foreign Group companies use their individual income tax rate to calculate deferred tax items. The income tax rates applied for foreign companies range from 15% to 48%.

Income taxes

Income tax assets and liabilities are measured at the amounts for which repayments from or payments to the tax authorities are expected to be received or made.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognised as liabilities (see Note 52).

8 The exercise of judgement in applying the accounting policies

The preparation of IFRS-compliant consolidated financial statements requires the exercise of judgement by management. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances. This applies to the following matters in particular:

In the case of certain contracts, a decision must be made whether they should be accounted for as derivatives or as executory contracts. Financial assets are classified under four categories, namely, held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. In measuring the provisions for pensions and other employee benefits, there are different options for recognising actuarial gains and losses. For this purpose, the Group applies the “corridor method” in accordance with IAS 19.92 (10% corridor). With respect to assets held for sale, it must be determined whether the assets are available for sale in their present condition and whether their sale is highly probable. If that is the case, the assets and the associated liabilities are reported and measured as assets held for sale and liabilities associated with assets held for sale.

Estimates and assessments made by management

The preparation of the consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made that affect the amounts of the assets and liabilities included in the balance sheet, the amounts of income and expenses, and the disclosures relating to contingent liabilities.

Amongst other things, these assumptions relate to the recognition and measurement of provisions. When determining the provisions for pensions and other employee benefits, the discount rate used is an important factor that has to be estimated. It is based on the rate of return on high-quality corporate bonds. Due to the financial market crisis, the risk premiums for corporate bonds rose markedly compared with government bonds. The market returns on which the calculated rate of interest is based also rose as a result. An increase or reduction of one percentage point in the discount rate used would result in a reduction or increase of around €850 million in the pension obligations of pension plans in Germany. A similar change in the discount rate used to measure the pension obligations of the Group companies in the UK would result in a reduction or increase of around €350 million. Since actuarial gains and losses are only recognised if they exceed 10% of the higher of the defined benefit obligation and the fair value of the plan assets, changes in the discount rate used for the Group's benefit plans generally have little or no effect on the expense or the carrying amount of the provisions recognised in the following financial year.

The Group has operating activities around the globe and is subject to local tax laws. Management can exercise judgement when calculating the amounts of current and deferred taxes. Although management believes that it has made a reasonable estimate relating to tax matters that are inherently uncertain, there can be no guarantee that the actual outcome of these uncertain tax matters will correspond exactly to the original estimate made. Any difference between actual events and the estimate made could have an effect on tax liabilities and deferred taxes in the particular period in which the matter is finally decided. The amount recognised for deferred tax assets could be reduced if the estimates of planned taxable income or the tax benefits achievable as a result of tax planning strategies are revised downwards, or in the event that changes to current tax laws restrict the extent to which future tax benefits can be realised.

Goodwill is regularly reported in the Group's balance sheet as a consequence of business combinations. When an acquisition is initially recognised in the consolidated financial statements, all identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. One of the most important estimates this requires is the determination of the fair values of these assets and liabilities at the date of acquisition. Land, buildings and office equipment are generally valued by independent experts, whilst securities for which there is an active market are recognised at the quoted exchange price. If intangible assets are identified in the course of an acquisition, then their measurement is based on the opinion of an independent external expert valuer, depending on the type of intangible asset and the complexity involved in determining its fair value. The independent expert determines the fair value using appropriate valuation techniques, normally based on expected future cash flows. In addition to the assumptions about the development of future cash flows, these valuations are also significantly affected by the discount rates used.

Impairment testing for goodwill is based on assumptions with respect to the future. The Group carries out these tests annually and also whenever there are indications that goodwill may have become impaired. The recoverable amount of the CGU must then be calculated. This amount is the higher of fair value less costs to sell and value in use. The determination of value in use requires adjustments and estimates to be made with respect to forecasted future cash flows and the discount rate applied. Although management believes that the assumptions made for the purpose of calculating the recoverable amount are appropriate, possible unforeseeable changes in these assumptions – e.g. a reduction in the EBIT margin, an increase in the cost of capital, or a decline in the long-term growth rate – could result in an impairment loss that could negatively affect the Group's net assets, financial position and results of operations.

Pending legal proceedings in which the Group is involved are disclosed in Note 54. The outcome of these proceedings could have a significant effect on the net assets, financial position and results of operations of the Group. Management regularly analyses the information currently available about these proceedings and recognises provisions for probable obligations including estimated legal costs. Internal and external legal advisers participate in making this assessment. In deciding on the necessity for a provision, management takes into account the probability of an unfavourable outcome and whether the amount of the obligation can be estimated with sufficient reliability. The fact that an action has been launched or a claim asserted against the Group, or that a legal dispute has been disclosed in the Notes, does not necessarily mean that any provision recognised for the associated risk is adequate.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the balance sheet date. For the purpose of estimating the future development of the business, a realistic assessment was also made at that date of the economic environment likely to apply in the future to the different sectors and regions in which the Group operates. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be any significant adjustments in financial year 2009 to the carrying amounts of the assets and liabilities recognised in the financial statements.

9 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and the subsidiaries, joint ventures and associates included in the consolidated financial statements, prepared in accordance with uniform accounting policies as at 31 December 2008 and audited by independent auditors.

Acquisition accounting for subsidiaries included in the consolidated financial statements uses the purchase method of accounting. The cost of the acquisition corresponds to the fair value of the assets given up, the equity instruments issued and the liabilities incurred or assumed at the transaction date, plus any costs directly attributable to the acquisition.

Joint ventures are proportionately consolidated in accordance with IAS 31. Assets and liabilities, as well as income and expenses, of jointly controlled companies are included in the consolidated financial statements in proportion to the interest held in these companies. Proportionate acquisition accounting as well as recognition and measurement of goodwill use the same methods as applied to the consolidation of subsidiaries.

Companies on which the parent can exercise significant influence (associates) are accounted for in accordance with the equity method using the purchase method of accounting. Any goodwill is recognised under investments in associates.

Intra-Group revenue, other operating income and expenses as well as receivables, liabilities and provisions between consolidated companies are eliminated. Inter-company profits or losses from intra-Group deliveries and services not realised by sale to third parties are eliminated.

10 Segment reporting disclosures

Segment reporting was prepared in accordance with IAS 14 (Segment Reporting). The presentation of specific data from the consolidated financial statements is classified by divisions and regions, based on the Group's internal reporting and organisational structure. Segment reporting is designed to enable a transparent view of the earnings power, net assets and financial position of the individual components of the Group's activities and regions. Information on the individual restructuring measures and restatements of prior-year figures can be found in Note 10.1.

Reflecting the Group's predominant organisational structure, the primary reporting format is based on the divisions. The Group distinguishes between the following divisions:

10.1 Segments by division

MAIL

In addition to the transport and delivery of written communications, the MAIL Division is positioning itself as an end-to-end service provider for the management of written communications. The division comprises the following business units: Mail Communication, Dialogue Marketing, Press Services, Parcel Germany, Global Mail and the retail outlets. The Pension Service was transferred from the FINANCIAL SERVICES Division to the mail business. Corporate Information Solutions was transferred from the MAIL Division to the SUPPLY CHAIN/CIS Division. The prior-year figures were restated accordingly.

EXPRESS

The EXPRESS Division offers international and national courier and express services to business and private customers. The division comprises the Express Europe, Express Americas, Express Asia Pacific and Express EEMEA business units.

GLOBAL FORWARDING/FREIGHT

The LOGISTICS Division was dissolved in March 2008 and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. The activities of the GLOBAL FORWARDING/FREIGHT Division comprise the transportation of goods by rail, road, air and sea. The division's business units are Global Forwarding and Freight. The prior-year figures were restated accordingly.

SUPPLY CHAIN/CIS

The LOGISTICS Division was dissolved in March 2008 and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. The Corporate Information Solutions Business Unit was previously reported in the MAIL Division. The division specialises in contract logistics and provides warehousing and ground-based transport services as well as sector-based value-added services along the entire supply chain. The division also offers end-to-end solutions for corporate information and communications management. The division's business units comprise Supply Chain together with Corporate Information Solutions. The prior-year figures were restated accordingly.

Corporate Center/Other

The costs of Global Business Services have been allocated in full to the operating divisions since the beginning of 2008. Deutsche Post AG's retail outlets were transferred to the MAIL segment. As the services area did not retain any significant opportunities and risks, it was no longer a segment within the meaning of IAS 14. The SERVICES segment was therefore dissolved. The remaining items of this segment and the entire Corporate Center are now reported in the Corporate Center/Other column. The Corporate Center/Other column also includes the consolidation of intersegment transactions. The prior-year figures were restated accordingly.

Discontinued operation: FINANCIAL SERVICES

The FINANCIAL SERVICES Division consists of the Deutsche Postbank Group's activities. In view of the announced sale of the Deutsche Postbank Group, the segment is presented as a discontinued operation. The Pension Service previously allocated to the FINANCIAL SERVICES segment was transferred to the mail business. The prior-year figures were restated accordingly.

Reconciliation of segment amounts to consolidated amounts

The reconciliation column contains the effects of consolidation adjustments and the amounts from the differing definitions of segment items compared with the corresponding item for the Group.

Reconciliation

€m	Total of continuing operations		Reconciliation		Consolidated amount	
	2007	2008	2007	2008	2007	2008
External revenue	54,043	54,474	0	0	54,043	54,474
Internal revenue	3,288	3,232	–3,288	–3,232	0	0
Total revenue	57,331	57,706	–3,288	–3,232	54,043	54,474
Other operating income	3,582	3,907	–1,239	–1,171	2,343	2,736
Materials expense	–33,845	–34,801	3,142	2,822	–30,703	–31,979
Staff costs	–17,180	–18,001	11	11	–17,169	–17,990
Other operating expenses	–5,559	–6,716	1,374	1,570	–4,185	–5,146
Depreciation, amortisation and impairment losses	–2,196	–2,662	0	0	–2,196	–2,662
Profit/loss from operating activities (EBIT)	2,133	–567	0	0	2,133	–567
Net income from associates	3	2	0	0	3	2
Net other finance costs					–948	–501
Income taxes					–173	–200
Profit/loss from discontinued operations					858	–713
Consolidated net profit/loss					1,873	–1,979
of which attributable to						
Deutsche Post AG shareholders					1,383	–1,688
Minorities					490	–291

External revenue is the revenue generated by the divisions from non-Group third parties. Internal revenue is revenue generated with other divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-oriented prices are used as transfer prices (arm's length principle). The transfer prices for services for which no external market exists are generally based on incremental costs.

The expenses for IT services provided in the IT service centres are allocated to the divisions by cause. The additional costs resulting from Deutsche Post AG's universal postal service obligation (nationwide retail outlet network, delivery every working day), and from its obligation to assume the compensation structure as the legal successor to Deutsche Bundespost, are allocated to the MAIL Division.

Segment assets are composed of non-current assets (excluding non-current financial assets) and current assets (excluding income tax receivables, cash and cash equivalents and current financial instruments). Purchased goodwill is allocated to the divisions.

Reconciliation of segment assets

€m	2007	2008
Total assets	235,420	262,964
Investment property	–187	–32
Non-current financial assets	–1,060	–635
Other non-current assets	–413	–449
Deferred tax assets	–1,040	–1,033
Income tax assets	–312	–191
Receivables and other assets	–142	–548
Financial instruments	–72	–50
Cash and cash equivalents	–4,683	–1,350
Total	**227,511**	**258,676**
FINANCIAL SERVICES assets	–197,244	–231,824
Total segment assets (continuing operations)	**30,267**	**26,852**

Segment liabilities relate to non-interest-bearing provisions and liabilities (excluding income tax liabilities).

Reconciliation of segment liabilities

€m	2007	2008
Total equity and liabilities	235,420	262,964
Equity	–13,813	–9,852
Non-current provisions	–10,573	–8,029
Non-current liabilities	–8,986	–3,685
Current provisions	–359	–303
Current liabilities	–2,238	–1,733
Total	**199,451**	**239,362**
FINANCIAL SERVICES liabilities	–188,553	–227,723
Total segment liabilities (continuing operations)	**10,898**	**11,639**

The segment investments relate to intangible assets (including purchased goodwill) and property, plant and equipment. Depreciation, amortisation and write-downs relate to the segment assets allocated to the individual divisions. Other non-cash expenses relate primarily to expenses from the recognition of provisions.

10.2 Segments by region

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

Income statement disclosures

11 Revenue

€m	2007 restated[1]	2008
Revenue	54,043	54,474

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

As in the prior-year period, there was no revenue in financial year 2008 that was generated on the basis of barter transactions. The increase in revenue amounting to €1,296 million in the FORWARDING/FREIGHT Division contrasted with a decline of €586 million in the SUPPLY CHAIN/CIS Division.

The further classification of revenue by division and the allocation of revenue to geographical regions is presented in the segment reporting.

12 Other operating income

€m	2007 restated[1]	2008
Income from prior-period billings	80	626
Income from currency translation differences	262	269
Income from the reversal of provisions	192	253
Rental and lease income	155	178
Insurance income	176	173
Income from work performed and capitalised	163	168
Gains on disposal of non-current assets	275	147
Income from the derecognition of liabilities	54	128
Income from fees and reimbursements	153	103
Income from derivatives	7	86
Reversals of impairment losses on receivables and other assets	85	66
Commission income	78	66
Income from loss compensation	27	23
Income from payments recoveries on receivables written off	17	9
Subsidies	11	8
Income from the sale of Vfw AG, Germany	59	0
Miscellaneous	549	433
Other operating income	**2,343**	**2,736**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

The €572 million increase in income from prior-period billings relates to the operating component of the state aid repayment. In June 2008, the provision for the funding of shortfalls in the Postal Civil Service Health Insurance Fund was reversed in the amount of €61 million.

Miscellaneous other operating income includes a large number of smaller individual items.

13 Materials expense

€m	2007 restated[1)]	2008
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Fuel	928	968
Aircraft fuel	601	781
Packaging material	397	390
Goods purchased and held for resale	1,292	1,352
Office supplies	96	79
Spare parts and repair materials	90	92
Other expenses	112	100
	3,516	3,762
Cost of purchased services		
Transportation costs	18,450	19,483
Cost of temporary staff	2,469	2,321
Expenses from non-cancellable leases	1,685	1,735
Expenses from cancellable leases	471	469
Other lease expenses (incidental expenses)	166	185
Maintenance costs	1,023	994
IT services	772	764
Commissions paid	313	343
Expenses for the use of Postbank branches	511	484
Other purchased services	1,327	1,439
	27,187	28,217
Materials expense	**30,703**	**31,979**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Materials expense includes expenses of €305 million relating to restructuring and reorganisation measures within the Group.

The rise in the materials expense mainly resulted from higher transportation expenses in the Global Forwarding Business Unit. The expenses for the use of Postbank branches related to commission payments to Deutsche Postbank Filialvertrieb AG, mostly in connection with sales services provided for the mail business. Other purchased services include a large number of individual items.

14 Staff costs/employees

€m	2007 restated[1)]	2008
Wages, salaries and compensation	14,138	14,104
of which expenses for options under the stock option plans	14	4
of which expenses for SAR under the stock option plans	2	0
of which expenses from 2006 SAR Plan/LTIP	21	0
Social security contributions	2,150	2,382
Retirement benefit expenses	881	1,504
Staff costs	**17,169**	**17,990**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Staff costs include expenses of €959 million relating to restructuring and reorganisation measures within the Group.

Retirement benefit expenses include €557 million (previous year: €560 million) relating to contributions by Deutsche Post AG to Bundes-Pensions-Service für Post und Telekommunikation e.V. Further details can be found in Note 7.

Staff costs relate mainly to wages, salaries and compensation, as well as all other benefits paid to employees of the Group for their services in the year under review. Social security contributions relate in particular to statutory social security contributions paid by employers.

Retirement benefit expenses relate to current and former employees or their surviving dependants. These expenses consist of additions to pension provisions, employer contributions to supplementary occupational pension plans and retirement benefit payments by employers for their employees. The increase is mainly attributable to the obligations assumed as part of the restructuring measures in the USA in relation to compensation payments.

The average number of the Group's employees in the year under review, classified by employee group, was as follows:

	2007	2008
Hourly workers and salaried employees Deutsche Postbank Group: 15,459 (previous year: 15,578)	443,584	456,149
Civil servants Deutsche Postbank Group: 8,028 (previous year: 8,363)	52,809	51,304
Trainees Deutsche Postbank Group: 673 (previous year: 610)	3,859	3,839
Employees	**500,252**	**511,292**

The number of full-time equivalents as at 31 December 2008 was 451,515 employees; 21,127 employees of the Deutsche Postbank Group must be added to this (31 December 2007: 453,626 employees plus 21,474 employees of the Deutsche Postbank Group). The employees of companies acquired or disposed of during the year under review were included ratably. The number of employees of consolidated joint ventures amounted to 1,709 on a proportionate basis (previous year: 2,152).

15 Depreciation, amortisation and impairment losses

€m	2007 restated[1]	2008
Amortisation of intangible assets, excluding the impairment of goodwill	509	826
Depreciation of property, plant and equipment		
Land and buildings	487	203
Technical equipment and machinery	498	338
Other equipment, operating and office equipment, vehicle fleet	568	480
Aircraft	126	202
Advance payments	6	3
	1,685	1,226
Depreciation/amortisation of other non-current assets	2	0
	2,196	2,052
Impairment of goodwill	0	610
Depreciation, amortisation and impairment losses	**2,196**	**2,662**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Depreciation, amortisation and impairment losses include expenses of €144 million relating to restructuring and reorganisation measures within the Group.

Depreciation, amortisation and impairment losses include €213 million (previous year: €612 million) in respect of write-downs. Of that amount, €79 million relates to intangible assets (previous year: €97 million) and €9 million to land and buildings (previous year: €253 million), whilst €125 million relates to the remaining property, plant and equipment (previous year: €262 million).

In addition, the Exel brand name was fully written down in financial year 2008 in the amount of €382 million since the use of the brand was discontinued.

Impairment of goodwill amounting to €436 million related to the goodwill of Supply Chain, whilst €174 million related to CIS. Further details can be found in Note 3.

At segment level, the amounts of impairment losses on non-current assets (excluding impairment of goodwill) were as follows:

€m	2007	2008
MAIL	3	4
EXPRESS	596	125
GLOBAL FORWARDING/FREIGHT	0	0
SUPPLY CHAIN/CIS	13	19
Corporate Center/Other	0	65
Write-downs	**612**	**213**

In the Americas region of the EXPRESS Division in the previous year, intangible assets (excluding goodwill) were written down fully in the amount of €90 million whilst items of property, plant and equipment were written down by €504 million to their fair value less costs to sell.

As at 1 July 2008, accompanying the division of the Express Americas CGU into the International Americas CGU and the US Express CGU, impairment losses were no longer recognised for the Express Americas CGU as a whole and continued to be recognised only for the US Express CGU. The reason for this was the decision by management, after considering the restructuring options, to treat the US Express region and the International Americas region differently. Business operations would be restructured only in the USA, on the basis of differentiation between domestic business products and international business products. As a result of this decision, impairment losses were no longer recognised in respect of the International Americas CGU. Impairment losses amounting to €81 million were recognised for non-current assets in the year under review in respect of the US Express CGU.

16 Other operating expenses

€m	2007 restated[1]	2008
Travel and training costs	483	450
Closure costs	53	411
Other business taxes	371	378
Warranty expenses, refunds and compensation payments	365	326
Write-downs of current assets	227	321
Cost of purchased cleaning, transport and security services	297	302
Consulting costs	292	272
Telecommunication costs	298	269
Expenses from currency translation differences	266	269
Expenses from derivatives	4	221
Office supplies	221	207
Legal costs	86	167
Other public relations expenses	151	163
Entertainment and corporate hospitality expenses	165	163
Advertising expenses	189	142
Insurance costs	135	118
Additions to provisions	5	112
Expenses for disposal of non-current assets	109	92
Prior-period other operating expenses	41	85
Services provided by the Federal Posts and Telecommunications Agency	71	70
Expenses for public relations and customer support	98	70
Commissions paid	61	64
Contributions and fees	30	37
Audit costs	36	36
Monetary transaction costs	34	35
Donations	17	18
Miscellaneous	80	348
Other operating expenses	**4,185**	**5,146**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Other operating expenses include expenses of €1,140 million that relate to restructuring and reorganisation measures within the Group.

Miscellaneous other operating expenses include a number of individual items.

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

17 Net income from associates

Investments in companies on which a significant influence can be exercised and which are accounted for using the equity method contributed €2 million (previous year: €3 million) to net finance costs.

18 Net other finance costs

€m	2007 restated[1]	2008
Financial income		
Interest income	69	576
Income from other equity investments and financial instruments	14	15
Income from currency translation differences	13	23
Other financial income	7	7
	103	621
Finance costs		
Interest expenses	–986	–1,064
of which interest cost on discounted provisions for pensions and other provisions	–652	–690
Cost of loss absorption	–1	0
Write-downs on financial instruments	–2	–30
Expenses from currency translation differences	–57	–8
Other finance costs	–5	–20
	–1,051	–1,122
Net other finance costs	**–948**	**–501**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

The increase in financial income reflects the interest component of the repayment of state aid amounting to €495 million.

19 Income taxes

€m	2007 restated[1]	2008
Current income tax expense	–384	–352
Current recoverable income tax	5	25
	–379	**–327**
Deferred tax income from temporary differences	201	140
Deferred tax expense (previous year: tax income) from the reduction in deferred tax assets from tax loss carryforwards	5	–13
	206	**127**
Income tax expense	**–173**	**–200**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Despite the decline in the profit from continuing operations, which was due mainly to the restructuring expenses in the USA, there was no effect on the tax expense because little or no income tax was paid as a result of the loss generated, and no deferred tax assets were recognised in respect of the resulting tax loss carryforwards.

The reconciliation to the effective income tax expense is shown below, based on consolidated net profit before income taxes and the expected income tax expense:

Reconciliation to effective income tax expense

€m	2007 restated[1]	2008
Profit/loss from continuing operations before income taxes	1,188	–1,066
Expected income tax expense	474	–318
Deferred tax assets not recognised for initial differences	–735	–420
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	346	469
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	98	424
Changes in tax rates at German Group companies	18	0
Effect of current taxes from previous years	–9	–45
Tax-exempt income and non-deductible expenses	67	118
Differences in tax rates at foreign companies	–86	–30
Other	0	2
Effective income tax expense from continuing operations	**173**	**200**

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

The difference between the expected and the effective income tax expense is due in particular to temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG resulting from initial differences in the opening tax accounts as at 1 January 1995. In accordance with IAS 12.15 (b) and IAS 12.24 (b), the Group did not recognise any deferred tax assets on these temporary differences, which relate mainly to property, plant and equipment as well as to provisions for pensions and other employee benefits. The remaining temporary differences between the carrying amounts in the IFRS financial statements and in the opening tax accounts amount to €2.0 billion as at 31 December 2008 (previous year: €3.4 billion).

The effects from deferred tax assets of German Group companies not recognised on tax loss carryforwards and temporary differences relate primarily to Deutsche Post AG and members of its consolidated tax group. Effects from deferred tax assets of foreign companies not recognised on tax loss carryforwards and temporary differences relate primarily to the Americas region.

Effects from deferred tax assets not recognised amounting to €585 million (previous year: €122 million) were due to the reversal of a write-down of deferred tax assets recognised in a prior period. The income tax expense was reduced by an amount of €17 million (previous year: €51 million) as a result of the utilisation of tax losses not previously reflected in the financial statements.

A deferred tax asset in the amount of €332 million was recognised in the balance sheet as, based on tax planning, realisation of the tax asset is probable, and losses of the current period are largely due to non-recurring items.

In financial year 2008, German Group companies were not affected by tax rate changes. In the previous year, such changes resulted from the 2008 business tax reform. The change in the tax rate in some foreign tax jurisdictions did not lead to any significant effects.

The effective income tax expense includes prior-period tax expenses from German and foreign companies in the amount of €45 million (previous year: €9 million).

20 Profit/loss from continuing operations

The loss from continuing operations in financial year 2008 amounted to €1,266 million (previous year: profit of €1,015 million). It was mainly impacted by restructuring measures in the US business and the impairment losses recognised on intangible assets in the Supply Chain and CIS units.

21 Profit/loss from discontinued operations

The income and expenses of the Deutsche Postbank Group are presented separately as a discontinued operation in accordance with IFRS 5:

Profit/loss from discontinued operations

€m	2007 restated[1]	2008
Income from banking transactions (revenue)	10,335	11,226
Other operating income	477	–998
Total operating income	**10,812**	**10,228**
Expenses from banking transactions (materials expense)	–7,061	–8,270
Staff costs	–1,311	–1,337
Depreciation, amortisation and impairment losses	–161	–179
Other operating expenses	–1,219	–1,313
Total operating expenses	**–9,752**	**–11,099**
Profit/loss from operating activities (EBIT)	**1,060**	**–871**
Net finance costs	–65	–73
Profit/loss before taxes from discontinued operations	**995**	**–944**
Attributable tax expense	–137	150
Profit/loss after taxes from discontinued operations	**858**	**–794**
Reversal of negative goodwill (arising from increase in equity investment)	0	+81
Profit/loss from discontinued operations	**858**	**–713**

1) Prior-year figures restated due to change in presentation of the Deutsche Postbank Group.

In financial year 2008, the crisis on the financial markets impacted net trading income, net income from investment securities and the allowance for losses on loans and advances. Amongst other things, the Deutsche Postbank Group recognised write-downs amounting in total to €423 million as a result of its exposure to Lehman Brothers, the US investment bank under chapter 11 protection, and to Icelandic banks. In addition, earnings were affected by valuation allowances of €97 million (previous year: €18 million) on equity and retail funds, and of €156 million (previous year: €112 million) on structured credit products. Charges of €786 million were also determined in relation to the remeasurement of embedded derivatives from the structured credit substitution business.

22 Consolidated net profit/loss for the period

In financial year 2008, the Group generated a consolidated net loss for the period of €1,979 million (previous year: net profit of €1,873 million, restated). Of the consolidated net loss, €1,688 million (previous year: net profit of €1,383 million, restated) is attributable to Deutsche Post AG shareholders. The main reasons for the net loss for the period were the restructuring expenses in the US business and the loss for the period incurred by the Deutsche Postbank Group.

23 Minorities

The net loss of €291 million attributable to minorities represented a decline of €781 million year-on-year.

24 Earnings per share

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share) by dividing consolidated net profit by the average number of shares. Basic earnings per share for financial year 2008 were €–1.40 (previous year: €1.15).

Basic earnings per share

		2007 restated[1]	2008
Consolidated net profit/loss attributable to Deutsche Post AG shareholders	€m	1,383	–1,688
Weighted average number of shares outstanding	Number	1,205,101,455	1,208,617,943
Basic earnings per share	€	**1.15**	**–1.40**
of which from continuing operations	€	0.79	–1.10
of which from discontinued operations	€	0.36	–0.30

1) Prior-year figures restated due to change in presentation of the Deutsche Postbank Group.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. There were 2,726,658 stock options for executives as at the reporting date (previous year: 13,184,482), of which none were dilutive (previous year: 2,489,720).

Diluted earnings per share

		2007 restated[1]	2008
Consolidated net profit/loss attributable to Deutsche Post AG shareholders	€m	1,383	–1,688
Weighted average number of shares outstanding	Number	1,205,101,455	1,208,617,943
Potentially dilutive shares	Number	2,489,720	0
Weighted average number of shares for diluted earnings	Number	1,207,591,175	1,208,617,943
Diluted earnings per share	€	**1.15**	**–1.40**
of which from continuing operations	€	0.79	–1.10
of which from discontinued operations	€	0.36	–0.30

1) Prior-year figures restated due to change in presentation of the Deutsche Postbank Group.

25 Dividend per share

A dividend per share of €0.60 is being proposed for financial year 2008. Based on the 1,209,015,874 shares recorded in the commercial register as at 31 December 2008, this corresponds to a dividend distribution of €725 million. Further details on the dividend distribution can be found in Note 42.

Balance sheet disclosures

26 Intangible assets

26.1 Overview

€m	Internally generated intangible assets	Purchased brand names	Purchased customer lists	Other purchased intangible assets	Goodwill	Advance payments and intangible assets under development	Total
Cost							
Balance at 1 January 2007	1,185	898	1,040	1,828	11,743	130	16,824
Additions to consolidated group	0	11	78	5	296	0	390
Additions	136	0	0	114	121	101	472
Reclassifications	16	0	0	13	0	–39	–10
Disposals	–27	0	–70	–147	–1	–36	–281
Currency translation differences	–12	–51	–62	–40	–389	–3	–557
Balance at 31 December 2007/1 January 2008	**1,298**	**858**	**986**	**1,773**	**11,770**	**153**	**16,838**
Additions to consolidated group	0	3	54	4	180	0	241
Additions	129	0	0	142	118	74	463
Reclassifications	38	0	0	103	0	–120	21
Disposals	–455	–318	–176	–604	–649	8	–2,194
Currency translation differences	0	–133	–73	–16	–230	–7	–459
Balance at 31 December 2008	**1,010**	**410**	**791**	**1,402**	**11,189**	**108**	**14,910**
Amortisation and impairment losses/reversals							
Balance at 1 January 2007	**582**	**0**	**88**	**1,044**	**440**	**18**	**2,172**
Additions to consolidated group	0	0	0	2	0	0	2
Amortisation	146	0	83	261	0	0	490
Impairment losses	54	0	0	30	0	13	97
Reclassifications	–8	0	0	8	0	0	0
Reversal of impairment losses	0	0	0	0	0	0	0
Disposals	–10	0	0	–105	0	0	–115
Currency translation differences	–5	0	7	–35	0	–1	–34
Balance at 31 December 2007/1 January 2008	**759**	**0**	**178**	**1,205**	**440**	**30**	**2,612**
Additions to consolidated group	0	0	0	1	0	0	1
Amortisation	113	382	90	213	0	0	798
Impairment losses	64	0	0	11	610	4	689
Reclassifications	–1	0	0	–1	0	0	–2
Reversal of impairment losses	–2	0	0	–6	0	0	–8
Disposals	–258	0	–28	–496	–9	0	–791
Currency translation differences	6	0	–22	–1	0	1	–16
Balance at 31 December 2008	**681**	**382**	**218**	**926**	**1,041**	**35**	**3,283**
Carrying amount at 31 December 2008	**329**	**28**	**573**	**476**	**10,148**	**73**	**11,627**
Carrying amount at 31 December 2007	**539**	**858**	**808**	**568**	**11,330**	**123**	**14,226**

Purchased software, concessions, industrial rights, licences and similar rights and assets are reported under purchased intangible assets. Internally generated intangible assets relate to development costs for internally developed software.

The net disposals mainly relate to the reclassification of the balance sheet items of the Deutsche Postbank Group as assets held for sale in accordance with IFRS 5.

The addition in terms of purchased customer lists relates mainly to DHL Logistics China (€56 million – value at the time of purchase price allocation). The BHW customer list recognised in earlier years (previous year: €156 million) was reclassified in the amount of €145 million in accordance with IFRS 5.

Changes in brand names relate to the Exel brand name, which was written down in full in the amount of €382 million, and the reclassification of the BHW brand name (€319 million) in accordance with IFRS 5.

Goodwill additions and/or additions from changes to the consolidated group primarily relate to DHL Logistics China (€31 million) and to Polar Air Cargo (provisional goodwill of €100 million).

26.2 Allocation of goodwill to CGU

€m

Total goodwill: 10,148[1] (previous year: 11,330)

Segment level / group of CGU

MAIL	**EXPRESS**	**GLOBAL FORWARDING / FREIGHT**	**SUPPLY CHAIN / CIS**	Discontinued operation **FINANCIAL SERVICES**
	4,103 (previous year: 3,912)			

CGU level

MAIL National		**Global Forwarding**	**Supply Chain**	**FINANCIAL SERVICES**
37 (previous year: 30)		3,443 (previous year: 3,326)	1,550 (previous year: 2,147)	0 (previous year: 639)
MAIL International		**Freight Europe**	**Corporate Information Solutions**	
543 (previous year: 540)		253 (previous year: 253)	333 (previous year: 597)	

1) Goodwill from reconciliation amounts to €–114 million (previous year: €–114 million).

The structure of the CGU was changed compared with the previous year because the LOGISTICS Division was restructured in March 2008 and allocated between two board departments. As a result, the LOGISTICS Division was dissolved and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. Due to the new reporting structure, the goodwill attributable to the former LOGISTICS segment was allocated to the affected CGU in the two new logistics segments. For reasons of comparability, the prior-year figure was restated on a pro-forma basis.

At the same time, Corporate Information Solutions (CIS) was allocated to the newly established SUPPLY CHAIN/CIS Division since both CIS and Supply Chain provide customised logistics solutions. In the previous year, CIS was reported in the MAIL International CGU as part of the MAIL Division.

For the purposes of the impairment test carried out annually in accordance with IAS 36, the Group determines the recoverable amount of a CGU on the basis of its value in use. This calculation is based on projections of free cash flow that are first discounted at a rate corresponding to the post-tax cost of capital. Pre-tax discount rates are then determined iteratively.

The cash flow projections are based on management's adopted detailed budgets for EBIT and capital expenditure with a three-year planning horizon (2009 to 2011). The perpetual annuity (value added from 2012 on) is calculated using a long-term growth rate, which is determined for each CGU separately and which is shown in the table below. The growth rate used reflects expectations regarding industry growth for the CGU, but does not exceed the estimated long-term growth rate for the countries with the highest contribution to earnings in the relevant CGU. The cash flow forecasts are based both on historical amounts and the anticipated future general market trend. In addition, the forecasts take into account growth in the respective national business operations and in international trade, and the ongoing trend towards outsourcing logistics activities. Cost estimates for the transportation network and services also have an impact on value in use.

The pre-tax cost of capital is based on the weighted average cost of capital. The (pre-tax) discount rates for the individual CGU and the growth rates assumed in each case for the perpetual annuity are shown in the following table:

%	Discount rates		Growth rates	
	2007	2008	2007	2008
SUPPLY CHAIN / CIS				
Supply Chain	10.4	11.1	3.0	2.5
Corporate Information Solutions	n/a	11.3	n/a	2.0
GLOBAL FORWARDING / FREIGHT				
Freight Europe	11.1	11.1	1.5	2.0
Global Forwarding	10.8	11.2	2.5	2.5
MAIL				
National	11.5	n/a	0.0	n/a
International	10.9	11.4	1.0	1.0
EXPRESS	9.9	10.6	2.7	2.5

On the basis of these assumptions and the impairment tests carried out for the individual CGU to which goodwill was allocated, it was established that, with the exception of the CGU in the SUPPLY CHAIN/CIS Division, the recoverable amounts of the CGU exceeded their carrying amounts.

An impairment loss of €436 million was recognised in respect of the Supply Chain CGU as a result of the impairment testing of goodwill as at 31 December 2008. An impairment loss was also recognised for the Corporate Information Solutions (CIS) CGU as at 31 December 2008 in the amount of €174 million. A total impairment loss of €610 million was therefore determined for the SUPPLY CHAIN/CIS segment, largely caused by the general deterioration in the economic environment in 2008. More unfavourable assumptions of the essential valuation parameters – e. g. a lower EBIT margin, higher cost of capital or lower long-term growth rates – would have resulted in higher impairment losses.

As at 31 December 2008, the MAIL National CGU met all of the criteria set out in IAS 36.99 and a detailed recalculation of the recoverable amount was therefore not required. There is no risk of impairment for this CGU as at 31 December 2008.

27 Property, plant and equipment

27.1 Overview

€m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Aircraft	Vehicle fleet and transport equipment	Advance payments, assets under development	Total
Cost							
Balance at 1 January 2007	7,579	3,901	3,306	1,282	2,006	182	18,256
Additions to consolidated group	42	31	38	56	9	2	178
Additions	358	346	412	117	277	349	1,859
Reclassifications	–75	60	34	–7	14	–137	–111
Disposals	–521	–170	–291	–55	–219	–84	–1,340
Currency translation differences	–115	–92	–68	–26	–41	–7	–349
Balance at 31 December 2007/1 January 2008	**7,268**	**4,076**	**3,431**	**1,367**	**2,046**	**305**	**18,493**
Additions to consolidated group	46	15	21	0	25	2	109
Additions	141	231	285	94	255	447	1,453
Reclassifications	80	169	42	44	31	–390	–24
Disposals	–2,597	–219	–1,328	–73	–873	–55	–5,145
Currency translation differences	–89	–91	–53	4	–88	–13	–330
Balance at 31 December 2008	**4,849**	**4,181**	**2,398**	**1,436**	**1,396**	**296**	**14,556**
Depreciation and impairment losses							
Balance 1 January 2007	2,356	2,592	2,478	384	1,066	–8	8,868
Additions to consolidated group	19	22	26	15	4	0	86
Depreciation	255	309	362	126	201	0	1,253
Impairment losses	253	190	47	0	19	6	515
Reversal of impairment losses	0	0	0	0	0	0	0
Reclassifications	–57	33	–5	–7	–2	–1	–39
Disposals	–206	–126	–254	–25	–167	0	–778
Currency translation differences	–37	–47	–50	–10	–22	0	–166
Balance at 31 December 2007/1 January 2008	**2,583**	**2,973**	**2,604**	**483**	**1,099**	**–3**	**9,739**
Additions to consolidated group	24	12	15	0	11	0	62
Depreciation	208	278	293	164	198	0	1,141
Impairment losses	9	60	21	38	3	3	134
Reversal of impairment losses	–1	0	0	0	0	0	–1
Reclassifications	10	1	–4	2	–3	–5	1
Disposals	–881	–127	–1,152	–65	–827	–1	–3,053
Currency translation differences	–19	–40	–38	1	–45	–2	–143
Balance at 31 December 2008	**1,933**	**3,157**	**1,739**	**623**	**436**	**–8**	**7,880**
Carrying amount at 31 December 2008	**2,916**	**1,024**	**659**	**813**	**960**	**304**	**6,676**
Carrying amount at 31 December 2007	**4,685**	**1,103**	**827**	**884**	**947**	**308**	**8,754**

Advance payments relate only to advance payments on items of property, plant and equipment where the Group has paid advances in connection with uncompleted transactions. Assets under development relate to items of property, plant and equipment in progress at the balance sheet date for whose production internal or third-party costs have already been incurred. Items of property, plant and equipment pledged as collateral amount to less than €1 million as in the prior year.

The net disposals mainly relate to the reclassification of the balance sheet items of the Deutsche Postbank Group as assets held for sale in accordance with IFRS 5.

27.2 Finance leases

The following assets are carried as non-current assets resulting from finance leases:

€m	2007	2008
Intangible assets	2	3
Land and buildings	62	76
Technical equipment and machinery	35	27
Other equipment, operating and office equipment	35	31
Aircraft	491	444
Vehicle fleet and transport equipment	7	11
Finance leases	**632**	**592**

The corresponding liabilities from finance leases are included under financial liabilities (see Note 46).

28 Investment property

€m	2007	2008
Cost		
Balance at 1 January	157	260
Additions to consolidated group	0	0
Additions	20	1
Reclassifications	122	2
Disposals	–37	–219
Currency translation differences	–2	1
Balance at 31 December	260	45
Impairment losses		
Balance at 1 January	35	73
Additions to consolidated group	0	0
Impairment losses	2	1
Changes in fair value	0	0
Reclassifications	39	1
Disposals	–3	–62
Currency translation differences	0	0
Balance at 31 December	73	13
Carrying amount at 31 December	**187**	**32**

The change in this balance sheet item is mostly due to the disposal of property by Deutsche Post AG as a result of the sale of the portfolio to the investor Lone Star and to the reclassification of the amounts relating to the Deutsche Postbank Group (previous year: €73 million), which are reported under assets held for sale in accordance with IFRS 5. In financial year 2008, €18 million of investment property related to Exel Inc., USA, and €14 million to Deutsche Post AG (previous year: €99 million). Rental income for this property amounted to €1 million (previous year: €9 million), whilst the related expenses also amounted to €1 million (previous year: €9 million). The fair value amounted to €78 million (previous year: €187 million).

29 Non-current financial assets

€m	2007	2008
Investments in associates	203	61
Other non-current financial assets		
Available-for-sale financial assets	733	427
Held-to-maturity financial assets	10	10
Loans	114	137
Non-current financial assets	**1,060**	**635**

Write-downs on other equity investments amounting to €30 million (previous year: €4 million) were included in the income statement because they were impaired.

Compared with the market rates of interest prevailing at 31 December 2008 for comparable financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognised in the balance sheet at a present value of €19 million (previous year: €18 million). The principal amount of these loans totals €24 million (previous year: €25 million). As in the previous year, investments in associates and other investees were not subject to restraints on disposal.

30 Other non-current assets

€m	2007	2008
Pension assets	247	262
Derivatives	27	51
Sureties provided	33	55
Miscellaneous	190	146
Other non-current assets	**497**	**514**

The derivatives – interest rate swaps/fair value hedges – primarily relate to bonds issued by Deutsche Post Finance, the Netherlands, and were entered into with external banks. Further information on pension assets can be found in Note 44.

31 Deferred taxes

€m	2007[1]	2008
Deferred tax assets for German tax loss carryforwards		
of which corporation tax and solidarity surcharge	80	1
of which trade tax	70	1
Deferred tax assets for foreign tax loss carryforwards	77	40
	227	**42**
Deferred tax assets for temporary differences	813	991
Total deferred tax assets	**1,040**	**1,033**
Deferred tax liabilities for temporary differences	1,569	833

1) Prior-year figures restated due to restatement of the Deutsche Postbank Group (see Note 5).

No deferred tax assets were recognised for tax loss carryforwards of around €16.3 billion (previous year: €11.7 billion) and for temporary differences of around €696 million (previous year: €1.2 billion), as it can be assumed that the Group will not be able to use these tax loss carryforwards and temporary differences within the framework of tax planning. Most of the loss carryforwards are attributable to Deutsche Post AG. It will be possible to utilise these tax loss carryforwards for an indefinite period of time. For foreign companies, the significant loss carryforwards will not lapse before 2020.

Deferred taxes have not been recognised for temporary differences of €386 million (previous year: €468 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

Maturity structure

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2008							
Deferred tax assets for tax loss carryforwards	2	3	0	0	0	37	42
Deferred tax assets for temporary differences	282	95	69	36	36	473	991
Deferred tax liabilities for temporary differences	488	86	41	24	29	165	833
2007							
Deferred tax assets for tax loss carryforwards	10	9	86	84	4	34	227
Deferred tax assets for temporary differences	220	67	38	20	285	183	813
Deferred tax liabilities for temporary differences	12	18	7	417	542	573	1,569

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

Deferred taxes for temporary differences

€m	2007		2008	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	72	701	98	294
Property, plant and equipment	17	75	61	38
Non-current financial assets	26	0	47	2
Other non-current assets	14	37	9	29
Receivables and other securities from financial services	414	2,205	0	0
Other current assets	143	10	29	41
Provisions	434	131	338	245
Financial liabilities	4	0	293	1
Liabilities from financial services	1,653	97	0	0
Other liabilities	31	313	167	250
	2,808	**3,569**	**1,042**	**900**
Netting of deferred tax assets and liabilities				
of which for tax loss carryforwards	0	–5	0	–16
of which for temporary differences	–1,995	–1,995	–51	–51
Carrying amount	**813**	**1,569**	**991**	**833**

32 Inventories

Standard costs for inventories of postage stamps and spare parts in freight centres amounted to €12 million (previous year: €12 million). There was no requirement to charge significant valuation allowances on these inventories.

€m	2007	2008
Finished goods and goods purchased and held for resale	59	57
Spare parts for aircraft	6	6
Raw materials and supplies	164	187
Work in progress	18	17
Advance payments	1	2
Inventories	**248**	**269**

33 Income tax assets and obligations

All income tax assets are current and have maturities of less than one year.

€m	2007	2008
Income tax assets	312	191
Income tax obligations	473	351

Income tax liabilities and income tax provisions are presented on a combined basis as income tax obligations with retrospective effect for the previous year. Income tax assets amounting to €35 million (previous year: €70 million) and income tax obligations amounting to €92 million (previous year: €55 million) relate to Deutsche Post AG.

34 Receivables and other assets

€m	2007	2008
Trade receivables	6,377	5,591
Prepaid expenses	1,038	676
Current derivatives	52	475
Deferred revenue	558	462
Current tax receivables	461	450
Income from cost absorption	83	71
Receivables from sales of assets	196	56
Creditors with debit balances	63	51
Receivables from insurance business	32	37
Receivables from Group companies	53	34
Receivables from employees	30	29
Rent receivables	17	25
Receivables from loss compensation (recourse claims)	19	17
Receivables from cash on delivery	18	15
Receivables from residential housing construction pools	14	13
Receivables from private postal agencies	7	13
Land rights	22	10
Miscellaneous other assets	766	690
Receivables and other assets	**9,806**	**8,715**

The decline in receivables and other assets mainly reflects the reclassification of the amounts relating to the Deutsche Postbank Group as assets held for sale in accordance with IFRS 5.

€341 million of the tax receivables (previous year: €317 million) relates to VAT, €43 million (previous year: €60 million) to customs duties and levies, and €66 million (previous year: €84 million) to other tax receivables. Miscellaneous other assets include a large number of individual items. Further information on derivatives can be found in Note 51.2 ff.

35 Receivables and other securities from financial services

Receivables and other securities from financial services, which relate exclusively to the Deutsche Postbank Group, are presented in financial year 2008 under assets held for sale and liabilities associated with assets held for sale (see Note 38).

€m	2007 restated[1]	2008
Loans and advances to other banks (loans and receivables)		
of which fair value hedges: 1,516	24,581	
Loans and advances to customers		
of which secured by land charges: 50,372		
Loans and advances to customers (loans and receivables)		
of which fair value hedges: 1,356	84,133	
Loans and advances to customers (held to maturity)	456	
Loans and advances to customers (fair value option)	7,044	
	91,633	
Allowance for losses on loans and advances		
Loans and advances to other banks	0	
Loans and advances to customers	–1,154	
	–1,154	
Trading assets		
Bonds and other fixed-income securities	4,139	
Held-for-trading building loans held for sale	209	
Equities and other non-fixed-income securities	161	
Positive fair value of trading derivatives	5,155	
Positive fair value of banking book derivatives	131	
Positive fair value of derivatives in connection with underlyings relating to the fair value option	141	
	9,936	
Hedging derivatives (positive fair values)		
Assets	265	
Liabilities	156	
	421	
Investment securities		
Bonds and other fixed-income securities		
Investment securities (loans and receivables)		
of which fair value hedges: 5,447	26,600	
Held to maturity	730	
Available for sale		
of which fair value hedges: 14,633	38,755	
	66,085	
Equities and other non-fixed-income securities		
Available for sale	2,418	
	68,503	
Receivables and other securities from financial services	**193,920**	**0**

1) Prior-year figure restated due to the Deutsche Postbank Group restatement (see Note 5).

In financial year 2007, €65,649 million of the investment securities related to listed securities. Changes in the fair value of unhedged available-for-sale securities were charged to the revaluation reserve in the amount of €–515 million. €24 million reported in the revaluation reserve was reversed to income in financial year 2007 as a result of the disposal of investment securities and the recognition of impairment losses. In addition, impairment losses of €130 million were recognised in financial year 2007 to reflect developments in the values of financial instruments. Of this amount, €112 million related to structured credit products and €18 million to write-downs in respect of retail funds.

The maturity structure of the receivables and other securities from financial services in financial year 2007 was as follows:

€m	Payable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years	Total
2007	4,534	27,630	17,123	17,979	13,640	12,792	16,349	85,027	195,074

36 Financial instruments

Current financial instruments fell by €22 million year-on-year to €50 million.

37 Cash and cash equivalents

€m	2007	2008
Cash	508	20
Money in transit	920	346
Bank balances	3,061	658
Cash equivalents	46	56
Other cash and cash equivalents	148	270
Cash and cash equivalents	**4,683**	**1,350**

The change in this balance sheet item is largely due to the reclassification of assets of the Deutsche Postbank Group in accordance with IFRS 5.

38 Assets held for sale and liabilities associated with assets held for sale

The amounts reported under these items relate mainly to the following matters:

€m	Assets		Liabilities	
	2007	2008	2007	2008
Deutsche Postbank Group	0	231,824	0	227,736
Deutsche Postbank Group – BHW Bank's credit card and sales financing business	565	0	44	0
DHL Express (France) SAS – land/buildings	26	0	0	0
Deutsche Post AG – real estate	18	31	0	0
DHL Supply Chain, Spain – buildings	0	15	0	0
Other	6	2	0	0
Assets held for sale, liabilities associated with assets held for sale	**615**	**231,872**	**44**	**227,736**

The Deutsche Postbank Group's sale of the credit card and financing business of BHW Bank AG was completed in the first quarter of 2008. The acquirer was Landesbank Berlin. In the third quarter, the IT equipment reported in the course of the period as assets held for sale was reclassified as property, plant and equipment. At the end of July, it was announced that efforts to outsource the IT infrastructure to Hewlett-Packard Services had been discontinued.

The assets and liabilities of the Deutsche Postbank Group are presented as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5.

Deutsche Postbank Group

€m	31 December 2008
ASSETS	
Intangible assets	1,400
Property, plant and equipment	900
Investment property	73
Non-current financial assets	111
Deferred tax assets	557
Income tax assets	162
Current receivables and other assets	810
Receivables and other securities from financial services	224,394
Cash and cash equivalents	3,417
Total ASSETS	**231,824**
EQUITY AND LIABILITIES	
Non-current provisions	2,111
Non-current financial liabilities	5,431
Deferred tax liabilities	831
Current provisions	30
Income tax provisions	186
Current financial liabilities	310
Current liabilities	960
Liabilities from financial services	217,877
Total EQUITY AND LIABILITIES	**227,736**

Further details relating to the financial instruments and the presentation of the risk position of the Deutsche Postbank Group can be found in Note 51.1.

Cumulative income and expense recognised in equity

€m	Equity attributable to Deutsche Post AG shareholders	Minority interest	Total equity
IAS 39 revaluation reserve	–259	–263	–522
Currency translation reserve	–76	–55	–131
	–335	**–318**	**–653**

In the third quarter, the Deutsche Postbank Group altered its intention to hold a portion of the bonds in its portfolio as available for sale, and now intends to hold them for the foreseeable future. It has therefore reclassified foreign currency bonds with a principal amount of €1.6 billion from the available-for-sale category to the loans-and-receivables category at a fair value of €1.5 billion with effect from 1 July 2008 in accordance with IAS 39.50E. Furthermore, the Deutsche Postbank Group has reclassified a portfolio consisting primarily of foreign government, bank and corporate bonds with a principal amount of €33.2 billion from the available-for-sale category to the loans-and-receivables category at a fair value of €32.9 billion with effect from 1 October 2008.

As at 31 December 2008, all reclassified bonds had a fair value of €35.8 billion and a carrying amount of €35.8 billion (reclassification was not allowed in the prior year). Prior to their dates of reclassification, the changes in fair value recognised in the revaluation reserve for the bonds that were reclassified amounted to €–405 million (previous year: €–358 million). Had the Deutsche Postbank Group not changed its intention to hold the bonds as available for sale, the fair value reserve would have been reduced by a further €97 million by 31 December 2008.

Given a nominal weighting of the reclassified bonds, the effective interest rate calculated on the basis of their restated cost as at the date of reclassification was 4.30%. The estimated cash flows that Postbank anticipates as at the reclassification date amount to €44.9 billion. As at 31 December 2008, there was no impairment identified for the reclassified bonds. No bonds were sold.

The Deutsche Postbank Group had irrevocable loan commitments amounting to €23,205 million (previous year: €23,480 million) and guarantee obligations of €1,296 million (previous year: €1,428 million).

39 Issued capital

39.1 Share capital

KfW Bankengruppe (KfW), formerly Kreditanstalt für Wiederaufbau, owns approximately 30.5% of the share capital of Deutsche Post AG. The percentage of free-floating shares amounts to 69.5%.

Number of shares	2007	2008
KfW	368,277,358	368,277,358
Free float	839,193,240	840,738,516
Share capital as at 31 December	**1,207,470,598**	**1,209,015,874**

39.2 Issued capital

The issued capital increased by €2 million in financial year 2008 from €1,207 million to €1,209 million. It is now composed of 1,209,015,874 no-par value registered shares (ordinary shares), with each individual share having a notional interest of €1 in the share capital. The increase in issued capital is attributable to the servicing of stock options from the 2003 Stock Option Plan.

Development of issued capital

€	2007	2008
As at 1 January	1,202,319,860	1,207,470,598
Exercise of options from 2002, 2003, 2004 SOP tranches – contingent capital	5,150,738	1,545,276
As at 31 December	**1,207,470,598**	**1,209,015,874**

Capital as at 31 December 2008

	Amount (thousands of €)	Purpose
2005 authorised capital	174,796	To increase share capital against non-cash contributions
Contingent Capital II	2,727	2003 Executive Stock Option Plan
Contingent Capital III	56,000	Exercise of option/conversion rights

39.3 Authorisation to acquire own shares

By way of a resolution adopted by the Annual General Meeting on 6 May 2008, the company is authorised to acquire, until 31 October 2009, own shares of up to a total of 10% of the share capital existing at the date the resolution is adopted. The authorisation permits the Board of Management to exercise it for any purpose authorised by law, particularly to pursue the goals mentioned in the resolution of the Annual General Meeting. Deutsche Post AG did not hold any own shares on 31 December 2008.

39.4 Disclosures on corporate capital (Postbank at equity)

The equity ratio stood at 23.8% in financial year 2008 (previous year: 31.4%). Corporate capital is controlled by the net gearing ratio which is defined as net debt divided by the total of equity and net debt. The ratio in 2008 was 23.3% (previous year: 20.4%). All ratios are based on Postbank being carried at equity.

€m	2007 restated[1]	2008
Aggregate financial liabilities	4,978	4,097
Less financial instruments	–74	–50
Less cash and cash equivalents	–1,339	–1,350
Less long-term deposits	–456	–256
Less financial liabilities to minority shareholders of Williams Lea	–251	–29
Net debt	**2,858**	**2,412**
Plus total equity	11,181	7,937
Total equity plus net debt	**14,039**	**10,349**
Net gearing ratio in %	20.4	23.3

1) Prior-year figure restated due to Deutsche Postbank Group restatement.

40 Other reserves

€m	2007	2008
Capital reserve	2,119	2,142
Revaluation reserve in accordance with IAS 39	–251	–254
Hedging reserve in accordance with IAS 39	–96	–60
Revaluation reserve in accordance with IFRS 3	0	8
Currency translation reserve	–897	–1,397
Other reserves	**875**	**439**

40.1 Capital reserve

€m	2007	2008
Capital reserve as at 1 January	2,037	2,119
Additions	82	23
of which exercise of stock option plans	68	19
of which issuance of stock option plans	14	4
Capital reserve as at 31 December	**2,119**	**2,142**

The measurement of the 2003 Stock Option Plan resulted in staff costs for the stock options in the amount of €4 million in financial year 2008 (previous year: €14 million); this amount was charged to capital reserves. Further details of the stock option plans can be found in Note 55.

40.2 Revaluation reserve in accordance with IAS 39

The revaluation reserve contains gains and losses from changes in the fair values of available-for-sale financial instruments that have been taken directly to equity. This reserve is reversed to income either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls permanently below their cost.

€m	2007	2008
As at 1 January	36	–251
Currency translation differences	–1	2
Additions (+)/disposals (–)	–438	–495
Deferred taxes recognised directly in equity	88	29
Changes in consolidated group	3	11
Reversed to income	61	450
Revaluation reserve in accordance with IAS 39 as at 31 December	**–251**	**–254**

In financial year 2008, available-for-sale financial instruments in the amount of €450 million (previous year: €61 million) were reversed to income, whilst the reserve was reduced by €495 million (previous year: €438 million) as a result of the remeasurement of available-for-sale financial instruments. The revaluation reserve relates almost entirely to gains or losses on the fair value remeasurement of financial instruments of the Deutsche Postbank Group.

40.3 Hedging reserve in accordance with IAS 39

The hedging reserve is adjusted by the effective portion of a cash flow hedge. The hedging reserve is released to income when the hedged item is settled.

€m	2007	2008
As at 1 January	–94	–96
Additions	–42	–126
Disposals	40	162
Hedging reserve in accordance with IAS 39 as at 31 December	**–96**	**–60**

The change in the hedging reserve is mainly the result of the increase in unrealised gains from hedging future operating currency transactions. In the financial year, unrealised and realised losses of €148 million were taken from the hedging reserve and recognised in operating profit, and unrealised and realised profits of €5 million were recognised in net finance costs/net financial income. Deferred taxes also affected the hedging reserve.

40.4 Revaluation reserve in accordance with IFRS 3

€m	2007	2008
As at 1 January	0	0
Changes not recognised in income	0	8
Revaluation reserve in accordance with IFRS 3 as at 31 December	**0**	**8**

The revaluation reserve contains €8 million of hidden reserves from the Sinotrans purchase price allocation which were attributable to shares already purchased in previous years. They relate to the customer relationships included in the previous 50% interest in the amount of €12 million and to €4 million of adjustments to deferred taxes.

40.5 Currency translation reserve

The currency translation reserve includes the translation gains and losses generated when consolidating subsidiaries accounted for in foreign currency.

€m	2007	2008
As at 1 January	–451	–897
Changes not recognised in income	–446	–500
Currency translation reserve as at 31 December	**–897**	**–1,397**

The change is due to the decrease in exchange rates for major foreign currencies.

41 Retained earnings

Retained earnings contain the undistributed consolidated profits generated in prior periods. Changes in the reserves during the financial year are also presented in the statement of changes in equity.

€m	2007 restated[1]	2008
As at 1 January	8,473	8,953
Dividend payment	–903	–1,087
Consolidated net profit or loss for the period	1,383	–1,688
Retained earnings as at 31 December	**8,953**	**6,178**

1) Prior-year figure restated due to Deutsche Postbank Group restatement.

42 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2008 amounted to €7,826 million (previous year: €11,035 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the unappropriated surplus of €1,093 million reported in the annual financial statements of Deutsche Post AG prepared in accordance with the German commercial code. The amount of €368 million remaining after deduction of the planned total dividend of €725 million will be carried forward.

A dividend of €1,087 million was paid for financial year 2007 and €251 million was transferred to retained earnings. The dividend is tax-exempt for shareholders resident in Germany. No capital gains tax (investment income tax) will be withheld on the distribution.

43 Minority interest

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

€m	2007 restated[1]	2008
Deutsche Postbank Group	2,633	1,914
DHL Sinotrans International Air Courier Ltd., China	60	67
Other companies	85	45
Minority interest	**2,778**	**2,026**

1) Prior-year figure restated due to Deutsche Postbank Group restatement.

44 Provisions for pensions and other employee benefits

The information below on pension obligations is broken down into the following areas: Germany (excluding Postbank), UK (excluding Postbank), Other (excluding Postbank) and the Deutsche Postbank Group. The Deutsche Postbank Group disclosures are presented in their entirety as at 31 December 2008 with the respective amounts then being reclassified in a separate line in accordance with IFRS 5.

44.1 Provisions for pensions and other employee benefits by area

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
31 December 2008					
Provisions for pensions and other employee benefits	4,299	183	203	1,149	5,834
Pension assets	0	–120	–142	0	–262
Net pension provisions	**4,299**	**63**	**61**	**1,149**	**5,572**
Reclassification in accordance with IFRS 5	0	0	0	–1,149	–1,149
Net pension provisions	**4,299**	**63**	**61**	**0**	**4,423**
31 December 2007					
Provisions for pensions and other employee benefits	4,383	267	196	1,143	5,989
Pension assets	0	–127	–120	0	–247
Net pension provisions	**4,383**	**140**	**76**	**1,143**	**5,742**

44.2 Actuarial assumptions

The majority of the Group's defined benefit obligations relate to plans in Germany and the UK. In addition, significant pension plans are provided in other euro zone countries, Switzerland and the US. The actuarial measurement of the main benefit plans was based on the following assumptions:

%	Germany	United Kingdom	Other euro zone	Switzerland	US
31 December 2008					
Discount rate	5.75	6.50	5.75	2.75	6.00
Future salary increase	2.50	3.00 – 4.75	2.00 – 4.00	3.00	4.00
Future inflation rate	2.00	3.25	2.00	1.50	2.50
31 December 2007					
Discount rate	5.50	5.75	5.50	3.25	6.00
Future salary increase	2.50	3.00 – 4.75	2.00 – 4.00	3.00	3.75
Future inflation rate	2.00	3.25	2.00	1.50	2.50

For the German Group companies, longevity was calculated using the *Richttafeln 2005 G* mortality tables published by Klaus Heubeck. For the British benefit plans, longevity was based on the mortality rates used in the last funding valuation. These are based on mortality analyses specific to the plan and include a premium for an expected increase in future life expectancy. Other countries used their own mortality tables.

44.3 Computation of expenses for the period

The following average expected return on plan assets was used to compute the expenses for the period:

%	Germany	United Kingdom	Other euro zone	Switzerland	US
2008					
Average expected return on plan assets	3.75 – 4.25	4.50 – 7.25	5.00 – 7.00	4.25	7.50
2007					
Average expected return on plan assets	3.25 – 4.25	4.50 – 7.25	5.00 – 7.00	4.25	7.50

The expected return on plan assets was determined by taking into account current long-term rates of return on bonds (government and corporate) and then applying to these rates a suitable risk premium for other asset classes based on historical market returns and current market expectations.

44.4 Reconciliation of the present value of the obligation, the fair value of plan assets and the pension provision

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
2008					
Present value of defined benefit obligations at 31 December for wholly or partly funded benefits	3,558	2,677	1,301	660	8,196
Present value of defined benefit obligations at 31 December for unfunded benefits	3,123	7	187	733	4,050
Present value of total defined benefit obligations at 31 December	6,681	2,684	1,488	1,393	12,246
Fair value of plan assets at 31 December	–1,992	–2,594	–1,257	–392	–6,235
Unrecognised net gains (+)/losses (–)	–388	–28	–171	148	–439
Unrecognised past service cost	–2	0	0	0	–2
Asset adjustment for asset limit	0	1	1	0	2
Net pension provisions at 31 December	**4,299**	**63**	**61**	**1,149**	**5,572**
Pension assets at 31 December	0	120	142	0	262
Provisions for pensions and other employee benefits at 31 December	**4,299**	**183**	**203**	**1,149**	**5,834**
Reclassification in accordance with IFRS 5	0	0	0	–1,149	–1,149
Provisions for pensions and other employee benefits at 31 December	**4,299**	**183**	**203**	**0**	**4,685**
2007					
Present value of defined benefit obligations at 31 December for wholly or partly funded benefits	3,686	3,743	1,250	698	9,377
Present value of defined benefit obligations at 31 December for unfunded benefits	3,237	9	177	729	4,152
Present value of total defined benefit obligations at 31 December	6,923	3,752	1,427	1,427	13,529
Fair value of plan assets at 31 December	–1,914	–4,048	–1,418	–392	–7,772
Unrecognised net gains (+)/losses (–)	–622	435	26	108	–53
Unrecognised past service cost	–4	0	0	0	–4
Asset adjustment for asset limit	0	1	41	0	42
Net pension provisions at 31 December	**4,383**	**140**	**76**	**1,143**	**5,742**
Pension assets at 31 December	0	127	120	0	247
Provisions for pensions and other employee benefits at 31 December	**4,383**	**267**	**196**	**1,143**	**5,989**

44.5 Changes in the present value of total defined benefit obligations

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
2008					
Present value of total defined benefit obligations at 1 January	6,923	3,752	1,427	1,427	13,529
Current service cost, excluding employee contributions	77	65	52	25	219
Employee contributions	14	21	13	3	51
Interest cost	366	197	70	78	711
Benefit payments	–504	–163	–74	–84	–825
Past service cost	29	–12	1	–2	16
Curtailments	0	0	–14	0	–14
Settlements	0	0	0	0	0
Transfers	19	38	–4	–1	52
Acquisitions/divestitures	0	0	–5	0	–5
Actuarial gains (–)/losses (+)	–243	–335	–15	–53	–646
Currency translation effects	0	–879	37	0	–842
Present value of total defined benefit obligations at 31 December	**6,681**	**2,684**	**1,488**	**1,393**	**12,246**
Reclassification in accordance with IFRS 5	0	0	0	–1,393	–1,393
Present value of total defined benefit obligations at 31 December	**6,681**	**2,684**	**1,488**	**0**	**10,853**
2007					
Present value of total defined benefit obligations at 1 January	7,899	4,198	1,511	1,597	15,205
Current service cost, excluding employee contributions	105	102	58	34	299
Employee contributions	0	22	13	0	35
Interest cost	339	206	59	72	676
Benefit payments	–490	–194	–69	–71	–824
Past service cost	–40	1	4	–14	–49
Curtailments	–26	0	–43	0	–69
Settlements	0	0	–19	0	–19
Transfers	5	0	23	4	32
Acquisitions	2	37	6	16	61
Actuarial gains (–)/losses (+)	–871	–257	–76	–210	–1,414
Currency translation effects	0	–363	–40	–1	–404
Present value of total defined benefit obligations at 31 December	**6,923**	**3,752**	**1,427**	**1,427**	**13,529**

44.6 Changes in the fair value of plan assets

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
2008					
Fair value of plan assets at 1 January	1,914	4,048	1,418	392	7,772
Employer contributions	215	56	44	7	322
Employee contributions	0	21	13	0	34
Expected return on plan assets	74	243	82	16	415
Gains (+)/losses (–) on plan assets	–8	–760	–273	–6	–1,047
Benefit payments	–203	–162	–62	–17	–444
Transfers	0	36	0	0	36
Acquisitions	0	0	0	0	0
Settlements	0	0	–11	0	–11
Currency translation effects	0	–888	46	0	–842
Fair value of plan assets at 31 December	**1,992**	**2,594**	**1,257**	**392**	**6,235**
Reclassification in accordance with IFRS 5	0	0	0	–392	–392
Fair value of plan assets at 31 December	**1,992**	**2,594**	**1,257**	**0**	**5,843**
2007					
Fair value of plan assets at 1 January	1,852	4,177	1,374	381	7,784
Employer contributions	200	67	45	16	328
Employee contributions	0	22	13	0	35
Expected return on plan assets	71	272	79	17	439
Gains (+)/losses (–) on plan assets	–10	62	–11	–7	34
Benefit payments	–199	–193	–53	–26	–471
Transfers	0	0	17	1	18
Acquisitions	0	26	0	11	37
Settlements	0	0	–12	0	–12
Currency translation effects	0	–385	–34	–1	–420
Fair value of plan assets at 31 December	**1,914**	**4,048**	**1,418**	**392**	**7,772**

Due to the crisis on the financial markets all other plans – mainly with the exception of the German benefit plans – generated a negative return in 2008; the total return (before exchange losses) was at approximately –8% (around €630 million). Exchange losses in the British benefit plans in particular reduced the plan assets expressed in euros additionally by around 11% (around €840 million). An equally large gain is, however, recognised on the benefit obligations.

The plan assets are composed of fixed-income securities (33%; previous year: 32%), equities and investment funds (28%; previous year: 36%), real estate (20%; previous year: 16%), cash and cash equivalents (11%; previous year: 9%), insurance contracts (6%; previous year: 5%) and other assets (2%; previous year: 2%). 84% of the real estate (previous year: 81%) has a fair value of €1,041 million (previous year: €1,040 million) and is owner-occupied by Deutsche Post AG.

44.7 Funded status

The funded status is recognised with the amounts of the Deutsche Postbank Group included.

€m	2005 Total	2006 Total	2007 Total	2008 Total
Present value of defined benefit obligations at 31 December	14,501	15,205	13,529	12,246
Fair value of plan assets at 31 December	–7,049	–7,784	–7,772	–6,235
Funded status	**7,452**	**7,421**	**5,757**	**6,011**

Excluding the amounts of the Deutsche Postbank Group would result in a present value of defined benefit obligations of €10,853 million as at 31 December 2008, a fair value of plan assets of €5,843 million and a funded status of €5,010 million in total.

44.8 Gains and losses

The gains and losses are recognised with the amounts of the Deutsche Postbank Group included.

€m	2005 Total	2006 Total	2007 Total	2008 Total
Actual return on plan assets	187	448	473	–632
Expected return on plan assets	129	391	439	415
Experience gains (+)/losses (–) on plan assets	**58**	**57**	**34**	**–1,047**

Excluding the amounts of the Deutsche Postbank Group would result in an actual return on plan assets of €–642 million for financial year 2008 (previous year: €463 million), an expected return on plan assets of €399 million (previous year: €422 million) and experience gains (+)/losses (–) on plan assets of €–1,041 million (previous year: €41 million).

The total actuarial gains and losses on defined benefit obligations are recognised with the amounts of the Deutsche Postbank Group included.

€m	2005 Total	2006 Total	2007 Total	2008 Total
Experience gains (+)/losses (–) on defined benefit obligations	12	–226	116	11
Gains (+)/losses (–) on defined benefit obligations arising from changes in assumptions	–1,080	488	1,298	635
Total actuarial gains (+)/losses (–) on defined benefit obligations	**–1,068**	**262**	**1,414**	**646**

Excluding the amounts of the Deutsche Postbank Group would result, in financial year 2008, in experience gains on defined benefit obligations of €11 million (previous year: €83 million), gains on defined benefit obligations of €582 million arising from changes in assumptions (previous year: €1,121 million) and €593 million of total actuarial gains on defined benefit obligations (previous year: €1,204 million).

44.9 Changes in net pension provisions

€m	Germany	United Kingdom	Others	Deutsche Postbank Group	Total
2008					
Net pension provisions at 1 January	4,383	140	76	1,143	5,742
Pension expense	399	3	57	78	537
Benefit payments	–301	–1	–12	–67	–381
Employer contributions	–215	–56	–44	–7	–322
Employee contributions	14	0	0	3	17
Acquisitions/divestitures	0	0	–5	0	–5
Transfers	19	2	–4	–1	16
Currency translation effects	0	–25	–7	0	–32
Net pension provisions at 31 December	**4,299**	**63**	**61**	**1,149**	**5,572**
Reclassification in accordance with IFRS 5	0	0	0	–1,149	–1,149
Net pension provisions at 31 December	**4,299**	**63**	**61**	**0**	**4,423**
2007					
Net pension provisions at 1 January	4,524	174	125	1,115	5,938
Pension expense	343	39	–1	81	462
Benefit payments	–291	–1	–16	–45	–353
Employer contributions	–200	–67	–45	–16	–328
Employee contributions	9	0	0	3	12
Acquisitions	2	11	6	5	24
Transfers	–4	0	6	0	2
Currency translation effects	0	–16	1	0	–15
Net pension provisions at 31 December	**4,383**	**140**	**76**	**1,143**	**5,742**

Payments amounting to €583 million are expected with regard to net pension provisions in 2009 (€275 million of this relates to the Group's expected direct pension payments and €308 million to expected employer contributions to pension funds, excluding the Deutsche Postbank Group).

44.10 Pension expense

€m	Germany	United Kingdom	Others	Deutsche Postbank Group	Total
2008					
Current service cost, excluding employee contributions	77	65	52	25	219
Interest cost	366	197	70	78	711
Expected return on plan assets	–74	–243	–82	–16	–415
Recognised past service cost	31	–12	1	–2	18
Recognised actuarial gains (–)/losses (+)	–1	–4	42	–7	30
Effects of curtailments	0	0	16	0	16
Effects of settlements	0	0	0	0	0
Effects of asset limit	0	0	–42	0	–42
Pension expense	**399**	**3**	**57**	**78**	**537**
Pension expense from discontinued operations	0	0	0	–78	–78
Pension expense from continuing operations	**399**	**3**	**57**	**0**	**459**
2007					
Current service cost, excluding employee contributions	105	102	58	34	299
Interest cost	339	206	59	72	676
Expected return on plan assets	–71	–272	–79	–17	–439
Recognised past service cost	–39	1	4	–14	–48
Recognised actuarial gains (–)/losses (+)	42	2	–2	5	47
Effects of curtailments	–33	0	–39	0	–72
Effects of settlements	0	0	–8	1	–7
Effects of asset limit	0	0	6	0	6
Pension expense	**343**	**39**	**–1**	**81**	**462**
Pension expense from discontinued operations	0	0	0	–81	–81
Pension expense from continuing operations	**343**	**39**	**–1**	**0**	**381**

In accordance with IAS 19.92, actuarial gains and losses are recognised only to the extent that they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets. The excess amount is spread over the expected remaining working lives of active employees and recognised in the income statement.

45 Other provisions

€m	2007	2008
Other provisions, of which non-current: 2,511 (previous year: 3,015)	4,718	5,318

45.1 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Postage stamps	Miscellaneous provisions	Total
As at 1 January 2008	1,469	360	489	500	1,900	4,718
Changes in consolidated group	0	–5	0	0	7	2
Utilisation	–610	–205	–68	–500	–1,155	–2,538
Currency translation differences	–3	–19	–30	0	–68	–120
Reversal	–28	–59	0	0	–211	–298
Interest cost added back	42	5	2	0	8	57
Reclassification	–40	–54	0	0	–917	–1,011
Additions	452	1,924	104	500	1,528	4,508
As at 31 December 2008	**1,282**	**1,947**	**497**	**500**	**1,092**	**5,318**

The provision for other employee benefits primarily covers workforce reduction expenses (severance payments, transitional benefits, partial retirement, etc.).

The restructuring provisions comprise all expenses resulting from the restructuring measures within the US express business as well as in other areas of the Group. These are measures which relate primarily to termination benefit obligations to employees (partial retirement programmes, transitional benefits) and expenses from the closure of terminals, for instance.

The technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR reserves; further details can be found in Note 7.

The provision for postage stamps covers outstanding obligations to customers for mail and parcel deliveries from postage stamps sold but still unused by customers, and is based on studies by market research companies. It is measured at the nominal value of the stamps issued.

45.2 Miscellaneous provisions

€m	2007	2008
Tax provisions	256	328
Litigation costs	84	117
Risks from business activities	141	95
Postal Civil Service Health Insurance Fund	97	31
Welfare benefits for civil servants	29	25
Staff-related provisions	25	22
Home savings business (Deutsche Postbank Group)	710	0
Other provisions	558	474
Miscellaneous provisions	**1,900**	**1,092**

The decrease in miscellaneous provisions mainly results from reclassifying the amounts of the Deutsche Postbank Group in accordance with IFRS 5.

Of the tax provisions, €227 million (previous year: €133 million) are accounted for by VAT, €15 million (previous year: €27 million) by customs and duties and €86 million (previous year: €96 million) by other tax provisions.

Risks from business activities comprise obligations such as expected losses and warranty obligations. Miscellaneous other provisions include a large number of individual items, none of which exceeds €30 million.

45.3 Maturity structure

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2008							
Other employee benefits	276	219	166	112	126	383	1,282
Restructuring provisions	1,045	71	44	27	510	250	1,947
Technical reserves (insurance)	186	73	17	15	15	191	497
Postage stamps	500	0	0	0	0	0	500
Miscellaneous provisions	800	61	52	21	14	144	1,092
	2,807	**424**	**279**	**175**	**665**	**968**	**5,318**
2007							
Other employee benefits	299	242	191	187	135	415	1,469
Restructuring provisions	161	121	31	24	14	9	360
Technical reserves (insurance)	144	81	19	17	16	212	489
Postage stamps	500	0	0	0	0	0	500
Miscellaneous provisions	599	540	190	125	101	345	1,900
	1,703	**984**	**431**	**353**	**266**	**981**	**4,718**

46 Financial liabilities

Financial liabilities represent all interest-bearing obligations of the Group not classified as liabilities from financial services.

€m	2007	2008
Bonds, of which non-current: 2,019 (previous year: 1,950)	1,952	2,019
Due to banks, of which non-current: 450 (previous year: 616)	978	1,080
Finance lease liabilities, of which non-current: 499 (previous year: 551)	625	531
Liabilities to Group companies, of which non-current: 121 (previous year: 42)	65	184
Other financial liabilities, of which non-current: 229 (previous year: 5,466)	6,561	283
Financial liabilities, of which non-current: 3,318 (previous year: 8,625)	**10,181**	**4,097**

The decrease in financial liabilities mainly results from reclassifying the subordinated debt of the Deutsche Postbank Group as liabilities associated with assets held for sale in accordance with IFRS 5.

46.1 Bonds

The following table contains further details on the company's major bonds.

Bonds

				2007		2008	
	Nominal coupon	Issue volume	Issuer	Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2002/2012	5.125%	€679 million	Deutsche Post Finance B.V.	677	686	712	710
Bond 2003/2014	4.875%	€926 million	Deutsche Post Finance B.V.	952	916	958	933

The bonds issued by Deutsche Post Finance B.V. are fully guaranteed by Deutsche Post AG.

46.2 Due to banks

The following table contains the terms and conditions of significant individual contracts reported under amounts due to banks:

Terms and conditions

	Bank	Interest rate	End of term	Carrying amount 2007 €m	Carrying amount 2008 €m
Deutsche Post International B.V., Netherlands	European Investment Bank Luxembourg	4.923	12/2011	112	117
Deutsche Post International B.V., Netherlands	European Investment Bank Luxembourg	3-month floater	06/2011	57	40
Deutsche Post International B.V., Netherlands	European Investment Bank Luxembourg	5.81	02/2011	34	19
Deutsche Post AG, Germany	DZ Bank	4.565	12/2010	200	200
Deutsche Post AG, Germany	SEB AG	3.100	01/2009	0	249
				403	**625**

The above-mentioned liabilities due to banks are fully guaranteed by Deutsche Post AG.

46.3 Liabilities from finance leases

Finance lease liabilities mainly relate to the following items:

Liabilities from finance leases

€m

	Leasing partner	Interest rate	Maturity	Asset	2007	2008
DHL Aviation (Netherlands B.V.) (formerly DHL Operations B.V., Netherlands)	Barclays Mercantile Business Financing Limited, London	3.745 %	2027/2028	16 aircraft	382	289
Deutsche Post AG, Germany	T-Systems Enterprise Services GmbH, Germany	–	2011	IT equipment	33	13

The leased assets are recognised in property, plant and equipment at carrying amounts of €592 million (previous year: €632 million). The difference between the carrying amounts of the assets and the liabilities results from longer economic useful lives of the assets compared with a shorter repayment period for the rental. The notional amount of the minimum lease payments totals €869 million (previous year: €1,084 million).

Maturity structure

€m

	Present value Liabilities from finance leases		Minimum lease payments Notional amount	
	2007	2008	2007	2008
Less than 1 year	74	32	78	34
1 to 5 years	137	137	182	168
More than 5 years	414	362	824	667
Total	**625**	**531**	**1,084**	**869**

46.4 Other financial liabilities

€m

		2007	2008
Loan notes due to Exel's former shareholders	Deutsche Post AG	126	77
Loan from Deutsche-Post-Betriebsrenten-Service e.V.	Deutsche Post AG	347	0
Loans from Bundes-Pensions-Service für Post und Telekommunikation	Deutsche Post AG	42	0
Subordinated debt	Deutsche Postbank Group	5,603	0
Miscellaneous financial liabilities	Other Group companies	443	206
Other financial liabilities		**6,561**	**283**

47 Other liabilities

€m	2007	2008
Other liabilities, of which non-current: 367 (previous year: 361)	5,462	5,112

47.1 Breakdown of other liabilities

€m	2007	2008
Tax liabilities	841	672
Derivatives, of which non-current: 103 (previous year: 97)	157	652
Compensated absences	420	440
Incentive bonuses	391	430
Payable to employees and members of executive bodies	486	345
Deferred income, of which non-current: 48 (previous year: 41)	453	313
Wages, salaries, severance	312	244
Liabilities from the sale of residential building loans, of which non-current: 113 (previous year: 106)	234	222
Social security liabilities	223	195
Debtors with credit balances	71	95
Overtime claims	98	93
Accrued interest	59	58
Other compensated absences	65	57
COD liabilities	78	51
Liabilities to Group companies	69	37
Insurance liabilities	41	29
Liabilities from cheques issued	8	20
Accrued rentals	25	20
Accrued insurance premiums for damages and similar liabilities	17	18
Liabilities for damages, of which non-current: 3 (previous year: 2)	20	17
Other liabilities to customers	5	2
Liabilities from defined contribution pension plans	5	0
Settlement offered to BHW minority shareholders	39	0
Liabilities from commissions and premiums	43	0
Liabilities to Bundes-Pensions-Service für Post und Telekommunikation e.V.	4	0
Miscellaneous other liabilities, of which non-current: 100 (previous year: 115)	1,298	1,102
Other liabilities	**5,462**	**5,112**

The increase in the derivatives' fair value mainly results from exchange rate fluctuations and an increase in the portfolio's volume. Further details on derivatives can be found in Note 51.2.

Of the tax liabilities, €349 million (previous year: €341 million) are accounted for by VAT, €199 million (previous year: €181 million) by customs and duties and €124 million (previous year: €319 million) by other tax liabilities.

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

Miscellaneous other liabilities include a large number of individual items.

47.2 Maturity structure

€m	2007	2008
Less than 1 year	5,101	4,745
1 to 2 years	128	44
2 to 3 years	20	52
3 to 4 years	30	54
4 to 5 years	36	85
More than 5 years	147	132
Maturity structure of other liabilities	**5,462**	**5,112**

Short maturities or market interest rates means that there are no significant differences between the carrying amounts and fair value of primary financial instruments. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

48 Trade payables

€954 million of the trade payables amounting to €4,980 million (previous year: €5,384 million) relate to Deutsche Post AG (previous year: €930 million). Trade payables primarily have a maturity of less than one year. The reported carrying amount of trade payables corresponds to their fair value.

49 Liabilities from financial services

In financial year 2008, liabilities from financial services, which solely relate to the Deutsche Postbank Group, are recognised under assets classified as held for sale and under liabilities associated with assets held for sale (see Note 38).

Liabilities from financial services

€m	2007	2008
Deposits from other banks	**61,146**	
of which payable on demand: 3,292		
of which fair value hedges: 783		
Due to customers	**110,616**	
of which payable on demand: 26,589		
of which fair value hedges: 4,542		
Securitised liabilities	**9,558**	
of which fair value hedges: 5,797		
Trading liabilities		
Negative fair values of trading derivatives	4,955	
Negative fair values of banking book hedging derivatives	330	
Negative fair values of derivatives in connection with underlyings relating to the fair value option	308	
Delivery obligations for short sales of securities	1	
	5,594	
Hedging derivatives (negative fair values)	873	
Liabilities from financial services	**187,787**	**0**

The maturity structure of liabilities from financial services for financial year 2007 is as follows:

€m	Payable on demand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2007	29,802	88,244	13,067	8,547	4,115	4,829	7,391	31,792	187,787

Cash flow disclosures

50 Cash flow disclosures

The cash flow statement for continuing operations is prepared in accordance with IAS 7 (Cash Flow Statements) and discloses the cash flows in order to present the source and application of cash and cash equivalents. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents are composed of cash, cheques and bank balances with a maturity of not more than three months, and correspond to the cash and cash equivalents reported on the balance sheet. The effects of currency translation and changes in the consolidated group are adjusted when calculating cash and cash equivalents. Since the Deutsche Postbank Group no longer forms part of continuing operations, the changes in cash and cash equivalents from the individual activities at the Deutsche Postbank Group were reported separately

To enhance the clarity of the cash flow statement, its structure was changed. Proceeds from divestitures and cash paid to acquire investments in companies now only include fully or proportionally consolidated companies. Accordingly, the line items were renamed proceeds from disposal of and cash paid to acquire subsidiaries and other business units. The other non-current assets item was split into two new items. Cash receipts and payments are now reported separately for property, plant and equipment and intangible assets and for other non-current financial assets. The latter item also includes inflows and outflows from companies accounted for at equity. The dividend received from Deutsche Postbank AG is now recognised separately under net cash from/used in investing activities. Proceeds from and cash paid to acquire foreign currency derivatives were extracted from the interest received or interest paid items and reclassified to other financing activities. Financial liabilities were split into current and non-current financial liabilities, non-current financial liabilities being further subdivided into borrowing and repayment. The prior-year figures were restated accordingly.

50.1 Net cash from operating activities

Cash flows from operating activities are calculated by adjusting net profit before taxes for net finance costs/net financial income and non-cash factors, as well as taxes paid, changes in provisions and changes in other assets and liabilities (net profit before changes in working capital). Adjustments for changes in working capital (excluding financial liabilities) result in net cash from or used in operating activities. Net cash from operating activities can be broken down into net cash from operating activities before changes in working capital and net cash from changes in working capital.

Net cash from operating activities before changes in working capital (continuing operations) amounts to €2,729 million, thus being largely on the previous year's level (€2,849 million). EBIT was impacted in particular by higher non-cash additions to provisions. In addition, EBIT was reduced by non-cash impairment losses recognised on goodwill and intangible assets which were added back in the depreciation/amortisation of non-current assets item. The €572 million cash repayment from state aid proceedings had an offsetting effect. The reduction in working capital in particular resulted in a higher cash inflow from operating activities. The reduction of receivables and other assets was a main contributor to this development. Overall, net cash from operating activities (continuing operations) increased by €554 million year-on-year to €3,362 million. A cash outflow from operating activities of €1,423 million was reported for discontinued operations (previous year: cash inflow of €2,343 million).

Non-cash income and expense

€m	31 December 2007 restated[1]	31 December 2008
Expense from remeasurement of assets	54	153
Income from remeasurement of liabilities	–26	–4
Staff costs relating to stock option plan	14	4
Other	5	64
Other non-cash income and expense	**47**	**217**

1) Presentation of the Deutsche Postbank Group differs (see Notes 3 and 5).

50.2 Net cash used in investing activities

Cash flows from investing activities mainly result from cash received from disposals of non-current assets and cash paid for investments in non-current assets. Net cash in the amount of €914 million was used in investing activities in the year under review, thus falling by €396 million below the previous year's amount (previous year: €1,310 million).

Proceeds from disposal of non-current assets increased in particular because of the sale of a real estate portfolio to US investor Lone Star (€942 million). Cash paid to acquire non-current assets also rose from €2,343 million in the previous year to €3,169 million in the year under review. This is due to Deutsche Post AG's share in Deutsche Postbank AG's capital increase, which is reflected in an increase in cash paid for subsidiaries and other business units. Furthermore, cash was paid to acquire Flying Cargo (€65 million) and to acquire shares in the companies Williams Lea (€220 million) and DHL Logistics (China) Co. Ltd. (€61 million). Of the increase in interest received, €495 million relates to the repayment under the state aid proceedings.

The following assets and liabilities were acquired upon the acquisition of companies (see also Note 2):

€m	2007	2008[1]
Non-current assets	98	23
Receivables and other securities from financial services	26	0
Current assets (excluding cash and cash equivalents)	212	174
Provisions	–70	–1
Other liabilities	–214	–305

1) Continuing operations.

Investing activities (discontinued operations) resulted in a cash inflow of €473 million compared with €257 million in the previous year.

Free cash flow is the aggregate of net cash from operating activities and net cash used in investing activities. Free cash flow is considered to be an indicator of how much cash is available to the company for dividend payments or the repayment of debt. Since net cash from operating activities rose and net cash used in investing activities fell, free cash flow (continuing operations) improved significantly increasing from €1,498 million in the previous year to €2,448 million in financial year 2008.

50.3 Net cash used in financing activities

Net cash used in financing activities (continuing operations) rose year-on-year by €485 million to €2,386 million (previous year: €1,901 million). At €497 million, the repayment of non-current financial liabilities was almost at the prior-year level (€452 million), whereas long-term borrowing decreased year-on-year: As a result, cash inflows amounted to €176 million, €376 million below the prior-year level. The change in current financial liabilities led to a decrease in cash outflows of €520 million (€337 million in the year under review compared with €857 million in the previous year). The cash inflows and outflows from foreign currency derivatives are reported under other financing activities: A net cash inflow of €153 million was recognised in the previous year in contrast to a net cash outflow of €148 million in financial year 2008. The dividend payment to shareholders of €1,087 million – another increase – accounts for the largest share of cash paid as part of financing activities. At €434 million, interest payments are slightly above the prior-year figure (€411 million).

Cash inflows from financing activities (discontinued operations) amounted to €918 million, which represents an €804 million year-on-year increase.

50.4 Cash and cash equivalents

The cash inflows and outflows described above produced cash and cash equivalents (continuing operations) of €1,350 million (see Note 37). This is a slight year-on-year increase of €11 million. Currency translation differences reduced cash and cash equivalents by €53 million; changes in the consolidated group, by contrast, brought an increase of €2 million.

Other disclosures

51 Financial instruments

Financial instruments are contractual obligations to receive or deliver cash and cash equivalents. In accordance with IAS 32 and IAS 39, these include both primary and derivative financial instruments. Primary financial instruments include in particular bank balances, all receivables, liabilities, securities, loans and accrued interest. Examples of derivatives include options, swaps, and futures.

The Deutsche Postbank Group accounts for most of the financial instruments in the Group. The risks and derivatives of the Deutsche Postbank Group's financial instruments are therefore presented separately below.

51.1 Risks and financial instruments of the Deutsche Postbank Group

Taking risks in order to generate earnings is the core function of the Deutsche Postbank Group's business activities. One of the Deutsche Postbank Group's core competencies is to assume normal banking risks within a strictly defined framework, whilst at the same time maximising the potential return arising from them. In the process, each of the relevant risks is carefully identified, continuously measured and monitored as well as regularly reported. To this end, the Deutsche Postbank Group has established a risk management organisation as the basis for risk and earnings-based overall bank management.

In accordance with the requirements of MaRisk (Minimum Requirements for Risk Management), the risk strategy is consistent with the business strategy and takes into account all significant business areas and types of risk. In addition to an overarching, group-wide risk strategy, Deutsche Postbank AG's Management Board has resolved specific risk strategies for market, credit, liquidity and operational risk.

Operational responsibility for risk management is spread across several units in the Deutsche Postbank Group, primarily the Financial Markets Board Department, domestic/foreign credit management and the credit functions of the retail banking business and, at a decentralised level, the subsidiaries BHW Bausparkasse AG, BHW Bank AG, Deutsche Postbank International S.A. and PB Capital Corp., as well as the London branch.

Risk Controlling, which is part of the Finance Board Department, is the independent, group-wide risk monitoring unit. Risk Controlling is authorised to make decisions regarding the methods and models applied in risk identification, measurement and limitation. Risk Controlling, together with the risk control units at BHW Bausparkasse AG, BHW Bank AG, Deutsche Postbank International S.A., PB Capital Corp. subsidiaries and the London branch, is responsible for operational risk control and reporting at Group level.

The Internal Audit unit is a key element of the Deutsche Postbank Group's business and process-independent monitoring system. In terms of the Postbank's organisational structure, it is assigned to the chairman of the Management Board and reports independently to the whole Management Board. The Postbank Group Management Board is responsible for risk strategy, the appropriate organisation of risk management, monitoring the risk content of all transactions and risk control. In conjunction with the Risk Committees, the Deutsche Postbank Management Board has defined the underlying strategies for activities on the financial markets and the other business sectors of the Group.

Definition of risk types

The Deutsche Postbank Group distinguishes between the following risk types:

- Market risk: Potential losses in financial transactions liable to incur from changes in interest rates, spreads, volatility, foreign exchange rates and equity prices.
- Credit risk: Potential losses that may be caused by changes in the creditworthiness of or default by a counterparty (for example as a result of insolvency). The following types of credit risk are distinguished:
  - Default risk (credit risk): Risk of potential losses caused by a deterioration in the credit rating of or default by a counterparty.
  - Settlement risk: Risk of possible losses during the settlement or netting of transactions.
  - Counterparty risk: The risk of possible losses arising from potential default by a counterparty, and hence the risk to unrealised profits on executory contracts (replacement risk).
- Country risk: The risk of possible losses arising from political or social upheaval, nationalisation and expropriation, a government's non-recognition of foreign debts, currency controls and devaluation or depreciation of a national currency (transfer risk).
- Liquidity risk: The risk that current and future payment obligations cannot be met, either in the full amount or as they fall due. Liquidity maturity transformation risk describes the risk of a loss occurring due to a change in Postbank's own refinancing curve (spread risk) resulting from an imbalance in the liquidity maturity structure within a given period for a certain confidence level.
- Operational risk: The risk of losses resulting from inadequate or failed internal processes and systems, people or external events. The definition also encompasses legal risks.
- Investment risk: Investment risk comprises possible losses arising from fluctuations in fair value of equity investments, unless they are already included in other risk types.
- Real estate risk: Real estate risk relates to the real estate owned by the Deutsche Postbank Group and comprises the risk of losses of rental income, write-downs to the going-concern value and losses on sale.
- Collective risk: Specific business risk arising from BHW Bausparkasse AG's home savings business. This is defined as the negative impact of (non interest-related) deviations in the actual behaviour of home savings customers from their forecast behaviour.
- Business risk: The risk of declining earnings arising from unexpected changes in the business volume and/or margins and corresponding costs. This notion also comprises model risks arising from modelling customer products with unknown capital and interest commitments (in particular savings and giro products) as well as the strategic and the reputational risk.

Presentation of risk position

The risks described below are assessed as being the material negative factors currently affecting the net assets, financial position and results of operations of the Deutsche Postbank Group. However, these are not necessarily the only risks to which the Deutsche Postbank Group is exposed. Risks of which it is currently unaware or which it does not yet consider to be material could also negatively impact business activities.

In view of the ongoing financial market crisis, which has been marked by extreme volatility on the money and capital markets, and a clear slowdown in the overall economic development in many parts of the world, uncertainty about future developments has risen considerably and is presenting an extreme challenge to risk management at banks. Economic risk-bearing capacity and regulatory capital ratios will remain under pressure in the entire sector. Against the backdrop of the unprecedented dynamics of the economic slowdown and the as yet uncertain effectiveness of both the economic stimulus plans being implemented across the world and concerted actions by central banks, future risk development is hard to assess. The Deutsche Postbank Group accepts normal banking risk within a defined framework strictly reflecting its risk-bearing capacity. The relevant risks are measured and monitored continuously and reported regularly to the Deutsche Postbank Group management.

The market disruptions have had a clearly negative impact on capital market portfolios and thus on the earnings situation of the Deutsche Postbank Group in financial year 2008. The risk profile of the Deutsche Postbank Group in 2008, which is focused on a well-diversified retail portfolio and, by comparison, is relatively conservative, could not prevent the recognition of significant charges on the credit side and in the market price risk area. Despite the measures taken to reduce capital market portfolios and risk, considerable risk potential remains. The risks emanating from the Postbank portfolio of structured credit products are systematically and thoroughly analysed for potential default and continuously monitored and managed in a dedicated project structure. The entire portfolio is subjected to regular impairment tests. In view of the ongoing disruptions on the capital markets and the clear economic downturn, the Deutsche Postbank Group expects further negative effects during the course of the year.

The economic slowdown and the resulting slump in real estate markets could lead to higher default rates in the customer lending business. This is especially true for commercial real estate financing in some foreign markets where the challenging environment is expected to continue. So far, only a very few signs of payment irregularities have been noticeable in the portfolio. The relevant portfolios are closely monitored so that measures to limit the risk can be taken early on when needed.

The loan portfolios in the retail banking business are largely well collateralised and highly granular. From a credit risk perspective, there have been no conspicuous developments despite the clear economic downturn in Germany. Should the decline continue or accelerate, potential repercussions for borrowers cannot be ruled out.

Thanks to its comparatively stable refinancing basis from customer deposits, the Deutsche Postbank Group's liquidity position is sound. However, due to the massive crisis of confidence and the still limited absorptive capacity of the capital market, the Deutsche Postbank Group is also making use of the comprehensive refinancing facilities provided by the central bank. There have been and still are no identifiable risks among the risk types described that could jeopardise the Deutsche Postbank Group's continued existence as a going concern.

Derivative financial instruments

The Deutsche Postbank Group uses derivatives for hedging purposes as part of its asset/liability management policy. Derivatives are also used for trading. Foreign currency derivatives are mainly used in the form of currency forwards, currency swaps, cross-currency swaps and currency options. Interest rate derivatives mainly consist of interest rate swaps, forward rate agreements, interest futures and interest options; in isolated cases, forward transactions in fixed-interest securities were conducted. Equity derivative contracts are signed in particular in the form of stock options and equity/index futures. Only a few credit default swap contracts were entered into. Credit default swaps are basically the result of derivatives separated from synthetic CDOs. The notional amounts represent the gross volume of all sales and purchases and serve as a reference value for determining reciprocally agreed settlement payments; they do not represent recognisable receivables or liabilities. The fair values of the individual contracts were calculated using recognised valuation models and do not reflect any netting agreements. The derivatives portfolio is classified by economic purpose as follows:

Derivative financial instruments

€m	Notional amounts		Positive fair values		Negative fair values	
	2007	2008	2007	2008	2007	2008
Trading derivatives	518,853	665,517	5,427	15,853	5,593	16,987
Hedging derivatives	34,052	46,557	421	474	873	2,693
Total	**552,905**	**712,074**	**5,848**	**16,327**	**6,466**	**19,680**

The following table presents the open interest rate and foreign currency forward transactions and option contracts of the Deutsche Postbank Group at the balance sheet date.

Forward transactions and option contracts of the Deutsche Postbank Group

€m	2007	Fair value		2008	Fair value	
	Notional amount	Positive fair values	Negative fair values	Notional amount	Positive fair values	Negative fair values
Trading derivatives						
Currency derivatives						
OTC products						
Currency forwards	2,273	35	50	4,858	168	106
Currency swaps	22,518	202	270	32,129	907	859
Total portfolio of currency derivatives	**24,791**	**237**	**320**	**36,987**	**1,075**	**965**
Interest rate derivatives						
OTC products						
Interest rate swaps	469,220	5,142	5,046	601,810	14,405	15,034
Cross-currency swaps	146	4	5	384	59	10
FRAs	5,723	–	2	12,028	18	11
OTC interest rate options	673	1	1	866	3	3
Other interest-related contracts	871	3	2	117	1	1
Exchange-traded products						
Interest rate futures	9,893	–	–	4,938	–	–
Interest rate options	490	1	–	–	–	–
Total portfolio of interest rate derivatives	**487,016**	**5,151**	**5,056**	**620,143**	**14,486**	**15,059**
Equity/index derivatives						
OTC products						
Equity options (long/short)	453	10	66	337	20	11
Exchange-traded products						
Equity/index futures	117	–	–	5	–	–
Equity/index options	259	2	1	25	1	–
Total portfolio of equity/index derivatives	**829**	**12**	**67**	**367**	**21**	**11**
Credit derivatives						
Credit default swaps	6,217	27	150	8,020	271	952
Total portfolio of credit derivatives	**6,217**	**27**	**150**	**8,020**	**271**	**952**
Total portfolio of derivatives held for trading	**518,853**	**5,427**	**5,593**	**665,517**	**15,853**	**16,987**
of which banking book derivatives	15,416	131	330	29,051	459	1,576
of which derivatives in connection with underlyings relating to the fair value option	12,767	141	308	24,994	185	772
Hedging derivatives						
Fair value hedges						
Interest rate swaps	32,560	410	621	41,967	346	2,641
Cross-currency swaps	1,338	10	252	1,068	117	51
Credit default swaps	154	1	–	169	11	1
Other interest-related contracts	–	–	–	3,353	–	–
Total portfolio of hedging derivatives	**34,052**	**421**	**873**	**46,557**	**474**	**2,693**
Total portfolio of derivatives	**552,905**	**5,848**	**6,466**	**712,074**	**16,327**	**19,680**

The following table provides an overview of the recognised derivative assets and liabilities, structured by remaining maturity:

Remaining maturities

€m	Hedging derivatives				Trading and banking book derivatives			
	2007		2008		2007		2008	
	Positive fair values	Negative fair values	Positive fair values	Negative fair values	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Less than 3 months	45	138	113	391	316	508	4,736	5,251
3 months to 1 year	5	39	60	32	144	211	356	401
1 to 2 years	18	131	54	58	147	233	404	467
2 to 3 years	15	67	8	139	205	201	456	537
3 to 4 years	7	29	9	162	197	193	659	788
4 to 5 years	23	69	12	178	270	336	958	1,310
More than 5 years	308	400	218	1,733	4,148	3,911	8,284	8,233
	421	**873**	**474**	**2,693**	**5,427**	**5,593**	**15,853**	**16,987**

Derivatives – classification by counterparties

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

Classification by counterparties

€m	2007		2008	
	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Banks in OECD countries	5,720	6,132	15,994	18,769
Public institutions in OECD countries	–	–	–	–
Other counterparties in OECD countries	117	250	305	564
Counterparties outside the OECD	11	84	28	347
	5,848	**6,466**	**16,327**	**19,680**

Fair values of financial instruments carried at amortised cost or at the hedged fair value

Fair values of financial instruments which are carried at amortised cost or at the hedged fair value are compared with the carrying amounts in the following table:

Carrying amounts/fair value

€m	2007		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash reserve	3,352	3,352	3,417	3,417
Loans and advances to other banks (loans and receivables)	24,581	24,510	20,368	20,176
Loans and advances to customers (loans and receivables)	85,159	85,414	96,281	99,667
Loans and advances to customers (held to maturity)	456	456	340	340
Allowance for losses on loans and advances	–1,184	–1,184	–1,232	–1,232
Investment securities (loans and receivables)	26,600	25,922	66,859	67,754
Investment securities (held to maturity)	730	731	186	186
Liabilities				
Due to banks	61,146	60,935	64,523	64,209
Due to customers	110,740	110,335	117,336	117,873
Securitised liabilities and subordinated debt	15,161	14,753	22,078	20,496

A fair value is generally determined for all financial instruments. Exceptions are transactions due on demand and savings deposits with an agreed withdrawal notice of less than one year. If there is an active market for a financial instrument (e. g. stock exchange), the fair value is expressed by the market or quoted exchange price at the balance sheet date. If there is no active market, the fair value is determined by an established valuation technique. The valuation techniques used incorporate the major factors establishing a fair value for the financial instruments using valuation parameters which are the result of the market conditions at the balance sheet date. The cash flows used under the present value method are based on the contractual data of the financial instruments.

51.2 Risks and financial instruments of other Group companies

Risk management system

The Group faces financial risks from its operating activities that may arise from changes in exchange risks, commodity prices and interest rates. The Group uses both primary and derivative financial instruments to manage these financial risks. The use of derivatives is limited to the management of primary financial risks. Any use for speculative purposes is not permitted under the Group's internal guidelines.

The fair values of the derivatives used may be subject to significant fluctuations depending on changes in exchange rates, interest rates or commodity prices. These fluctuations in fair value should not be assessed separately from the hedged underlying transactions, since derivatives and hedged transactions form a unity with regard to their offsetting value development.

The range of actions, responsibilities and controls necessary for using derivatives has been clearly established in the Group's internal guidelines. Suitable risk management software is used to record, assess and process financing transactions as well as to regularly assess the effectiveness of the hedging relationships. To limit counterparty risk from financial transactions, the Group only enters into transactions with prime-rated banks. Each counterparty 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 financial instruments used are accounted for in accordance with IAS 39.

Liquidity management

Liquidity in the Group is managed in a largely centralised system to ensure a continuous supply of cash for the Group companies. Liquidity reserves consist of bilateral credit lines committed by banks in the amount of €3.1 billion (previous year: €4.2 billion). In addition, the Group issued a commercial paper programme in the amount of €1 billion. Thus, the Group continues to have sufficient funds to finance necessary investments.

The maturity structure of primary financial liabilities to be applied within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure – remaining maturities

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
As at 31 December 2008						
Financial liabilities	126	543	457	906	145	2,020
Other liabilities	0	64	11	15	15	109
Non-current liabilities	**126**	**607**	**468**	**921**	**160**	**2,129**
Financial liabilities	780	0	0	0	0	0
Trade payables	4,980	0	0	0	0	0
Other liabilities	377	0	0	0	0	0
Current liabilities	**6,137**	**0**	**0**	**0**	**0**	**0**
As at 31 December 2007						
Financial liabilities	189	371	448	319	851	2,275
Other liabilities	0	106	10	14	9	85
Non-current liabilities	**189**	**477**	**458**	**333**	**860**	**2,360**
Financial liabilities	928	0	0	0	0	0
Trade payables	5,210	0	0	0	0	0
Other liabilities	355	0	0	0	0	0
Current liabilities	**6,493**	**0**	**0**	**0**	**0**	**0**

Cash flows which fall within the scope of IFRS 7 were not included in the table.

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

Maturity structure – remaining maturities

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
As at 31 December 2008						
Derivative receivables – gross settlement						
Cash outflows	–4,332	–111	–43	–50	–21	–153
Cash inflows	4,763	128	54	56	21	180
Net settlement						
Cash inflows	40	0	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–5,461	–72	–69	–47	–12	–193
Cash inflows	4,914	52	51	35	9	123
Net settlement						
Cash outflows	–13	0	0	0	0	0
As at 31 December 2007						
Derivative receivables – gross settlement						
Cash outflows	–1,685	–16	–15	–15	–16	–160
Cash inflows	1,730	16	16	16	16	191
Net settlement						
Cash inflows	7	2	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–1,810	–116	–185	–113	–91	–212
Cash inflows	1,739	97	166	94	77	180
Net settlement						
Cash outflows	–6	–7	0	0	0	0

Currency risk and currency management

The Group's global activities expose it to currency risks from planned and completed transactions in foreign currencies. All currency risks are recognised and managed centrally in Corporate Treasury. For this purpose, all Group companies report their foreign-currency risks to Corporate Treasury, which calculates a net position per currency on the basis of these reports, hedging it externally where applicable. Currency forwards, currency swaps and currency options are used to manage the risk. The notional amount of outstanding currency forwards and swaps was around €10,531 million as at the reporting date (previous year: €3,745 million). The corresponding fair value was €–101 million (previous year: €–31 million). These transactions were used to hedge planned and recorded operational risks and to hedge internal and external financing and investments. Fair value hedge accounting was not used substantially.

In addition, currency options with a notional amount of €460 million (previous year: €460 million) and a fair value of €11 million (previous year: €–11 million) were used to hedge operational currency risks and risks arising from investing activities. The Group also held cross-currency swaps with a notional amount of €269 million (previous year: €299 million) and a fair value of €–28 million (previous year: €–12 million) to hedge long-term foreign currency financing.

Currency risks resulting from translating assets and liabilities of foreign operations into the Group's currency (translation risk) were not hedged as at 31 December 2008.

The fair value of currency forwards was measured on the basis of current market prices, taking forward premiums and discounts into account. The currency options were measured using the Black-Scholes option pricing model. Of the unrealised gains from currency derivatives that were recognised in equity as at 31 December 2008 in accordance with IAS 39, a gain of €77 million (previous year: loss of €17 million) is expected to be recognised in income in the course of 2009.

IFRS 7 requires a company to disclose a sensitivity analysis, showing how profit or loss and equity are affected by hypothetical changes in exchange rates at the reporting date. In this process, the hypothetical changes in exchange rates are analysed in relation to the portfolio of financial instruments not denominated in their functional currency and being of a monetary nature. It is assumed that the portfolio as at the reporting date is representative for the whole year.

Effects of hypothetical changes in exchange rates on the translation risk do not fall within the scope of IFRS 7. The following assumptions are taken as a basis for the sensitivity analysis:

Primary monetary financial instruments used by Group companies were either denominated directly in the functional currency or the currency risk was transferred to Deutsche Post AG at the exchange rates Deutsche Post AG has guaranteed. Exchange-rate-induced changes therefore have no effect on profit or loss and equity of the Group companies. Some isolated Group companies are not legally entitled to participate in in-house banking. These companies hedge their currency risks from primary monetary financial instruments linked with Deutsche Post AG by using derivatives. The internal derivatives are consolidated in the Group. The risk remaining at Group level is taken into account when computing the net position.

Hypothetical changes in exchange rates affect the fair values of the external derivatives used by Deutsche Post AG with changes in fair value reported in profit or loss; they also affect the currency results from the measurement at the closing date of the in-house bank balances denominated in foreign currency, balances from external bank accounts as well as internal and external loans extended by Deutsche Post AG. In addition, hypothetical changes in exchange rates affect equity and the fair values of those derivatives used to hedge off-balance-sheet obligations and highly probable future currency transactions – designated as cash flow hedges.

A 10% appreciation of the euro against all currencies as at 31 December 2008 would have reduced profit by €1 million (previous year: €8 million). These hypothetical effects on profit or loss are mainly the result of a sensitivity to changes in the euro against SGD (€–15 million; previous year: €–2 million), USD (€3 million; previous year: €–18 million), BHD (€3 million; previous year: €5 million) and CNY (€5 million; previous year: €4 million). A depreciation of the euro would have approximately the opposite sensitivities.

A 10% appreciation of the euro would have changed the hedging reserve accounted for in equity by €17 million (previous year: €–25 million). The hypothetical change in equity is mainly the result of the euro's sensitivity to the USD (€–48 million; previous year: €–76 million), GBP (€18 million; previous year: €14 million) and JPY (€13 million; previous year: €7 million). A currency depreciation would affect equity in the amount of €–11 million (previous year: €25 million).

Commodity risk

Most of the risks arising from the purchase of fuels and fuel oil are passed on to customers via surcharges and contract clauses. As in the previous year there was no additional hedging using derivatives at the reporting date.

Interest rate risk and interest rate management

The Group's primary debt currency is the euro. Part of it is exchanged for foreign currencies using derivative financial instruments to cover the liquidity needs of the respective operations. Taking into account these transactions, the euro's portion in the Group's financial liabilities was 55% (previous year: 51%) and that of the US dollar 40% (previous year: 18%). The rise in the portion of the US dollar was due to the higher financial requirements of the American subsidiaries

The fair value of interest rate hedging instruments was calculated on the basis of the discounted expected future cash flows using the Group's treasury risk management system.

As at 31 December 2008 the Group had entered into interest rate swaps with a notional volume of €1,197 million (previous year: €1,209 million). The fair value of this interest rate swap position was €–8 million (previous year: €–24 million). As in the previous year there were no interest rate options at the reporting date.

The Group slightly reduced the share of instruments with short-term interest lock-ins in the course of 2008. Overall, the ratio of instruments with short-term interest rate lock-ins to instruments with long-term interest rate lock-ins was well balanced. The effect of interest rate changes on the Group's financial position continues to be immaterial.

A sensitivity analysis is performed to present the interest rate risks in accordance with IFRS 7. This method is used to determine the effects hypothetical changes in market interest rates have on interest income, interest expense and on equity at the reporting date. The following assumptions are taken as a basis for the sensitivity analysis:

Primary variable-interest financial instruments are subject to interest rate risks and will therefore have to be included in the sensitivity analysis. Primary variable-interest financial instruments which have been transformed into fixed-income financial instruments in a cash flow hedge are not included. Changes in market interest rates in derivative financial instruments used as a cash flow hedge affect equity by a change in far values and must therefore be included in the sensitivity analysis. Fixed-interest financial instruments measured at amortised cost are not subject to interest rate risk.

Designated fair value hedges of interest rate exposures are not included in the sensitivity analysis because the interest-related changes in the fair value of the hedged item and the hedging transaction almost fully offset each other in profit or loss for the period. Only the variable portion of the hedging instrument affects net finance costs/net financial income and must be included in the sensitivity analysis.

Interest rate derivatives outside the scope of a hedging relationship which would affect net finance costs/net financial income due to changes in market rates were not recognised as at 31 December 2008.

If the market interest rate level as at 31 December 2008 had been 100 basis points higher, profit would have decreased by €12 million (previous year: €13 million). A market rate level 100 basis points lower would have had the opposite effect. A change in the market interest rate level by 100 basis points would have affected the fair values of the interest rate derivatives recognised in equity. A rise in interest rates would have resulted in unrecognised gains in equity of €38 million (previous year: €16 million); a reduction would have had the opposite effect.

Credit risk

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. To minimise credit risk from financial transactions, the Group only enters into transactions with prime-rated counterparties. Each counterparty is assigned a counterparty limit, the use of which is regularly monitored. An impairment test is performed at the balance sheet dates to see whether, due to the individual counterparty's credit rating, an impairment loss is to be recognised for the positive fair values. This was not the case for any of the counterparties as at 31 December 2008.

Default risks are continuously monitored in the operating business. The aggregate carrying amounts of financial assets represent the maximum default risk. Trade receivables amounting to €5,591 million (previous year: €6,377 million) are due within one year. The following table gives an overview of past-due receivables:

€m	Carrying amount before impairment loss	Neither impaired nor due as at at the reporting date	Past due at reporting date and not impaired: Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	More than 180 days
As at 31 December 2008									
Trade receivables	5,788	3,594	1,196	401	125	63	31	17	32
As at 31 December 2007									
Trade receivables	**6,595**	**4,373**	**1,168**	**361**	**152**	**80**	**43**	**28**	**65**

Trade receivables developed as follows:

€m	2007	2008
Gross receivable		
As at 1 January	6,651	6,595
Changes	–56	–807
As at 31 December	6,595	5,788
Valuation allowances		
As at 1 January	–256	–218
Changes	38	21
As at 31 December	–218	–197
Carrying amount as at 31 December	**6,377**	**5,591**

All other financial loans and receivables are neither past due nor impaired. These assets are expected to be collectible at any time.

Derivatives

The following table gives an overview of the derivatives used in the Group (excluding Deutsche Postbank Group) and their fair values. Derivatives with amortising notional volumes are reported in the full amount at maturity.

Derivative financial instruments

€m	2007		2008				Fair values 2008 according to maturity											
							Assets						Liabilities					
	Notional amount	Fair value	Notional amount	Fair value of assets	Fair value of liabilities	Total fair value	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years
Interest rate products																		
Interest rate swaps	1,209	–24	1,197	46	–54	–8	0	0	0	33	0	13	0	0	0	0	0	–54
of which cash flow hedges	367	–13	354	12	–54	–42	0	0	0	0	0	12	0	0	0	0	0	–54
of which fair value hedges	842	–11	843	34	0	34	0	0	0	33	0	1	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1,209	**–24**	**1,197**	**46**	**–54**	**–8**	**0**	**0**	**0**	**33**	**0**	**13**	**0**	**0**	**0**	**0**	**0**	**–54**
Currency derivatives																		
Currency forwards	1,768	–40	5,927	152	–436	–284	149	3	0	0	0	0	–417	–8	–7	–3	–1	0
of which cash flow hedges	1,063	–41	961	77	–50	27	74	3	0	0	0	0	–31	–8	–7	–3	–1	0
of which net investment hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	705	1	4,966	75	–386	–311	75	0	0	0	0	0	–386	0	0	0	0	0
Currency options	460	–11	460	19	–8	11	19	0	0	0	0	0	–8	0	0	0	0	0
of which cash flow hedges	460	–11	460	19	–8	11	19	0	0	0	0	0	–8	0	0	0	0	0
Currency swaps	1,977	9	4,604	306	–123	183	306	0	0	0	0	0	–123	0	0	0	0	0
of which cash flow hedges	311	1	261	28	–5	23	28	0	0	0	0	0	–5	0	0	0	0	0
of which held for trading	1,666	8	4,343	278	–118	160	278	0	0	0	0	0	–118	0	0	0	0	0
Cross-currency swaps	299	–12	269	3	–31	–28	0	0	0	0	0	3	0	0	–12	–19	0	0
of which cash flow hedges	203	17	193	3	–12	–9	0	0	0	0	0	3	0	0	–12	0	0	0
of which fair value hedges	95	–29	76	0	–19	–19	0	0	0	0	0	0	0	0	0	–19	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	4,505	**–54**	**11,260**	**480**	**–598**	**–118**	**474**	**3**	**0**	**0**	**0**	**3**	**–548**	**–8**	**–19**	**–22**	**–1**	**0**

Due to major changes in internal financing and investments, the fourth quarter of 2008 saw a significant need to adjust the relevant currency hedging transactions. As a result, there was a massive increase in the notional volume of external derivatives compared with 31 December 2007. It will drop significantly again after the respective hedges become due in the first half of 2009.

Fair value hedges

Interest rate swaps were used to hedge the fair value risk of fixed-interest euro-denominated liabilities. The fair values of these interest rate swaps amount to €34 million (previous year: €–11 million). The significant increase in the fair values compared with 2007 is explained by the change in market rate levels. As at 31 December 2008, a €30 million (previous year: €35 million) adjustment was made to the carrying amount of the underlying hedged item arising from an interest rate swap unwound in the past. The adjustment to the carrying amount is amortised over the remaining term of the liability using the effective interest method, and reduces future interest expense.

In addition, cross-currency swaps were used to hedge liabilities in foreign currency against negative changes in the market, with the liability being transformed into a variable-interest euro-denominated liability. This hedged the fair value risk of the interest and currency component. The fair value of this interest rate swap position was €–19 million as at 31 December 2008 (previous year: €–29 million).

The following table provides an overview of the gains and losses arising from the hedged items and the respective hedging transactions:

Ineffective portion of fair value hedges

€m	2007	2008
Gains (–)/losses (+) on hedged items	–20	56
Gains (–)/losses (+) on hedging transactions	19	–56
Balance (ineffective portion)	**–1**	**0**

Cash flow hedges

The Group uses currency forwards and currency swaps to hedge the future cash flow risks from foreign currency revenue and expenses. The fair values of currency forwards and currency swaps amounted to €74 million (previous year: €–2 million) as at the reporting date. In addition, there were currency options used to hedge operating risks at the reporting date at a fair value of €13 million (previous year: €0 million). The underlyings will be recognised in the income statement in 2009.

Currency forwards with a fair value of €–26 million (previous year: €–37 million) as at the reporting date were entered into to hedge the currency risk of future lease payments and annuities denominated in foreign currencies. The payments for the underlyings are made in instalments, with the final payment due in 2013.

Cash flow risks arise from the contracted aircraft purchases in connection with future payments in US dollars. These risks were hedged using forwards and options. The fair value of cash flow hedges as at 31 December 2008 amounted to €–1 million (previous year: €–11 million) for currency options and €3 million (previous year: €–1 million) for currency forwards. The aircraft will be added in 2009 and 2010. Gains or losses on hedges are offset against cost and recognised in profit or loss upon the amortisation of the asset.

Risks arising from fixed-interest foreign currency investments were hedged using synthetic cross-currency swaps, with the investments being transformed into fixed-interest euro investments. These synthetic cross-currency swaps hedge the currency risk, and their fair values at the balance sheet date amounted to €15 million (previous year: €26 million). The investments relate to internal Group loans which mature in 2014.

The Group is exposed to cash flow risks arising from variable interest rate liabilities. These risks were hedged using an interest rate swap which offsets the interest rate risk in the underlying. The fair value of the respective cash flow hedge amounted to €–53 million as at 31 December 2008 (previous year: €–15 million). The hedged liability becomes due in 2037. In addition, a fixed-interest currency liability was transformed into a fixed-interest euro-denominated liability using a cross-currency swap. The fair value of the derivative was €–12 million (previous year: €–7 million).

51.3 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments in relation to the respective balance sheet items. The following table reconciles the balance sheet items to the categories given in IAS 39 and the respective fair values:

Reconciliation of carrying amounts in the balance sheet as at 31 December 2008

€m

	Carrying amount	Carrying amount measured in accordance with IAS 39			
		Financial assets and liabilities recognised at fair value through profit or loss		Available-for-sale financial assets	
		Trading	Fair value option		
		Fair value	Fair value	Fair value	Amortised cost
ASSETS					
Non-current financial assets	635				158
Other non-current assets	514		38		
Receivables and other assets	8,715	353			
Financial instruments	50				13
Cash and cash equivalents	1,350				
Total assets	**11,264**	**353**	**38**	**0**	**171**
EQUITY AND LIABILITIES					
Non-current financial liabilities [1]	–3,318				
Other non-current liabilities	–367				
Current financial liabilities	–779				
Trade payables	–4,980				
Other current liabilities	–4,745	–504			
Total equity and liabilities	**–14,189**	**–504**	**0**	**0**	**0**

1) Some of the bonds included in financial liabilities were designated as a hedged item in a fair value hedge and are thus subject to a basis adjustment. Accounting is therefore neither fully at fair value nor at amortised cost.

				Other financial instruments outside the scope of IAS 39	Outside the scope of IFRS 7	Fair value of financial instruments under IFRS 7
	Loans and receivables/ Other financial liabilities	Held-to-maturity financial assets	Derivatives designated as hedging instruments	Liabilities from finance leases		
	Amortised cost	Amortised cost	Fair value	Amortised cost		
	406	10			61	574
	55		51		370	144
	5,917		122		2,323	6,392
	37					50
	1,350					1,350
	7,765	**10**	**173**	**0**	**2,754**	**8,510**
	–2,716			–499	–103	–3,293
	–147		–103		–117	–250
	–747			–32	0	–779
	–4,980					–4,980
	–485		–45		–3,711	–1,034
	–9,075	**0**	**–148**	**–531**	**–3,931**	**–10,336**

Reconciliation of carrying amounts in the balance sheet as at 31 December 2007

€m

	Carrying amount	Carrying amount measured in accordance with IAS 39			
		Financial assets and liabilities recognised at fair value through profit or loss		Available-for-sale financial assets	
		Trading	Fair value option		
		Fair value	Fair value	Fair value	Amortised cost
ASSETS					
Non-current financial assets	1,060			431	301
Other non-current assets	497		66		
Receivables and other assets	9,806	25			
Receivables and other securities from financial services [2]	193,920	9,936	7,043	41,174	
Financial instruments	72			19	
Cash and cash equivalents	4,683				
Assets held for sale	615				
Total assets	**210,653**	**9,961**	**7,109**	**41,624**	**301**
EQUITY AND LIABILITIES					
Non-current financial liabilities [1]	−8,625				
Other non-current liabilities	−361				
Current financial liabilities	−1,556				
Trade payables	−5,384				
Liabilities from financial services	−187,787	−5,594			
Other current liabilities	−5,101	−16			
Total equity and liabilities	**−208,814**	**−5,610**	**0**	**0**	**0**

1) Some of the bonds included in financial liabilities were designated as a hedged item in a fair value hedge and are thus subject to a basis adjustment. Accounting is therefore neither fully at fair value nor at amortised cost.
2) Restatement of the prior-year figure due to the Deutsche Postbank Group restatement (see Note 5).

				Other financial instruments outside the scope of IAS 39	Outside the scope of IFRS 7	Fair value of financial instruments under IFRS 7
	Loans and receivables / Other financial liabilities	Held-to-maturity financial assets	Derivatives designated as hedging instruments	Liabilities from finance leases		
	Amortised cost	Amortised cost	Fair value	Amortised cost		
	115	10			203	857
			28		403	94
	6,679		26		3,076	6,730
	134,160	1,186	421			193,493
	52	1				72
	4,683					4,683
	565				50	565
	146,254	**1,197**	**475**	**0**	**3,732**	**206,494**
	−7,823			−551	−251	−8,403
	−224		−97		−40	−337
	−1,482			−74	0	−1,556
	−5,384					−5,384
	−181,320		−873			−186,763
	−510		−44		−4,531	−570
	−196,743	**0**	**−1,014**	**−625**	**−4,822**	**203,013**

If there is an active market for a financial instrument (e. g. stock exchange), the fair value is expressed by the market or quoted exchange price at the balance sheet date. The valuation technique used incorporates the major factors establishing a fair value for the financial instruments using valuation parameters which are derived from the market conditions at the balance sheet date. The fair values of other non-current receivables and financial investments held to maturity with remaining maturities of more than one year equal the present values of the payments related to the assets, taking into account the current interest rate parameters.

Most of the cash and cash equivalents, trade receivables and other receivables have short remaining maturities. Thus, their carrying amounts at the reporting date are largely equivalent to their fair values. Trade payables and other liabilities generally have short maturities; the amounts carried in the balance sheet are similar to their fair values.

The financial assets classified as available for sale include shares in partnerships and corporations in the amount of €158 million (previous year: €301 million) for which a fair value cannot be determined reliably. The shares in these companies are not quoted on an active market; they are therefore recognised at cost. There are no plans to sell a material number of the available-for-sale financial assets recognised as at 31 December 2008 in the near future. No significant shares measured at cost were sold in the financial year. In the previous year, shares in the amount of €68 million were sold at a disposal loss of €3 million.

No assets were reclassified in financial years 2008 and 2007.

The net gains and losses from financial instruments classified in accordance with the measurement categories of IAS 39 are composed as follows:

Net gains and losses of the measurement categories

€m	2007	2008
Loans and receivables	175	214
Held-to-maturity financial assets	0	0
Financial assets and liabilities recognised at fair value through profit or loss		
Trading	–375	–181
Fair value option	–20	18
Other financial liabilities	–110	–26

The net gains and losses mainly consist of the effects of valuation allowances, fair value measurement and disposals (disposal gains/losses). Dividends and interest are not taken into account for the financial instruments recognised in profit or loss at fair value. Details of net gains or losses on the financial assets available for sale can be found in Note 40. Income and expense from interest and commission agreements of the financial instruments not measured at fair value through profit or loss are explained in the income statement disclosures.

52 Contingent liabilities

The Group's contingent liabilities total €1,828 million (previous year restated: €645 million; the amounts attributable to the Deutsche Postbank Group are reported in Note 38). €84 million of the contingent liabilities relates to guarantee obligations (previous year, restated: €100 million) and €87 million to liabilities from litigation risks (previous year: €204 million). Other contingent liabilities rose (€1,378 million; previous year: €112 million) primarily as a result of another case of formal state aid proceedings (see Note 54 Litigation) accounted for in these financial statements.

53 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €7,274 million (previous year: €7,041 million) from non-cancellable operating leases as defined by IAS 17.

The Group's future non-cancellable payment obligations under leases are attributable to the following asset classes:

€m	2007	2008
Land and buildings	6,310	6,452
Technical equipment and machinery	164	68
Other equipment, operating and office equipment	96	49
Transport equipment	306	501
Aircraft	165	194
Miscellaneous	0	10
Leases	**7,041**	**7,274**

The increase in lease obligations is due to the lease-back agreements for portions of the real estate portfolio sold to investor Lone Star. Lease obligations include €404 million of future lease obligations from the US express business, which were recognised under restructuring provisions as onerous contracts. €139 million (previous year: €156 million) of the leasing obligations relates to the Deutsche Postbank Group.

€m	2007	2008
Year 1 after reporting date	1,285	1,452
Year 2 after reporting date	1,069	1,174
Year 3 after reporting date	871	994
Year 4 after reporting date	700	717
Year 5 after reporting date	561	533
Year 6 after reporting date and thereafter	2,555	2,404
Maturity structure of minimum lease payments	**7,041**	**7,274**

The present value of discounted minimum lease payments is €5,554 million (previous year: €5,326 million), based on a discount factor of 6.00% (previous year: 5.75%). Overall, rental and lease payments of €2,389 million (previous year, restated: €2,322 million) arose, of which €1,735 million (previous year, restated: €1,685 million) relates to non-cancellable leases. €3,006 million (previous year: €2,468 million) of the future lease obligations from non-cancellable leases relates primarily to Deutsche Post Immobilien GmbH.

The purchase obligation for investments in non-current assets amounted to €150 million (previous year: €332 million).

54 Litigation

Due to the market-leading position of Deutsche Post AG, a large number of its services are subject to sectoral regulation under the *Postgesetz* (German postal act). The regulatory authority approves or reviews prices in particular, formulates the terms of downstream access and conducts general checks for market abuse. Any resulting proceedings may lead to a drop in revenue and earnings.

Legal risks arise from, amongst other things, appeals pending before the administrative courts against the regulatory authority's July 2002 ruling concerning the conditions for the price cap procedure, from appeals against price approvals granted under the price cap procedure for the years 2003, 2004 and 2008, and from appeals against other price approval decisions handed down by the regulatory authority.

European Commission competition proceedings were initiated on the basis of a complaint made by the *Deutsche Verband für Post und Telekommunikation* (German association for posts and telecommunications) about allegedly excessive mail prices. In these proceedings, Deutsche Post AG has presented detailed evidence to support its argument that the prices are reasonable.

Conditions determined by the regulator oblige Deutsche Post AG to allow customers and competitors downstream access to its network. Proceedings are still pending before the administrative courts against the relevant rulings by the regulatory authority. Depending on the outcome of the proceedings, the Group could be faced with further losses of revenue and earnings. As regards the special problem of downstream access for so-called consolidators, the European Court of Justice decided definitely on 6 March 2008 that access must be granted under European law. Based on an enforceable order by the *Bundeskartellamt* (German federal antitrust authority), Deutsche Post AG had granted the consolidators access as early as 2005. The expiry of the exclusive license will eliminate the access issue.

In response to a complaint from a third party, the EU Commission made requests for information to the German government concerning an allegation by the *Monopolkommission* (German monopoly commission). The allegation is that Deutsche Post AG contravenes the prohibition of state aid under the EC Treaty by allowing Deutsche Postbank AG to use Deutsche Post outlets at below-market rates. In the opinion of Deutsche Post AG and Deutsche Postbank AG, this allegation is incorrect and the fee paid by Deutsche Postbank AG complies with the provisions on competition and state aid stipulated in EU law. The EU Commission is also asking the Federal Republic of Germany to comment on the sale of its entire interest in Deutsche Postbank AG to Deutsche Post AG in 1999. However, the EU Commission has already investigated the acquisition of Deutsche Postbank AG as part of the state aid proceedings that were concluded with the ruling dated 19 June 2002. At the time, it explicitly concluded that the acquisition of Postbank involved "no grant of state aid".

The German government has already argued before the EU Commission that the allegations are in its opinion unfounded. Nevertheless, with regard to the two allegations relating to the requests for information, no assurance can be given that the EU Commission will not find that the facts of the case constitute state aid.

On 12 September 2007, the EU Commission initiated a formal investigation against the Federal Republic of Germany concerning possible subsidies. The investigation will focus on whether the Federal Republic of Germany, using state resources, overcompensated Deutsche Post AG or its legal predecessor Deutsche Bundespost POSTDIENST for the cost of providing universal services between 1989 and 2007 and whether the company was thereby granted state aid incompatible with EU law. According to the decision opening the investigation, the Commission intends to examine all public transfers, public guarantees, statutorily granted exclusive rights, the price regulation of letter services and the public funding of civil servants' pensions during the period in question. Also to be investigated is the cost allocation within Deutsche Post AG and its predecessor between the regulated letter service, the universal service and competitive services. This also relates to co-operation agreements between Deutsche Post AG and Deutsche Postbank AG as well as between Deutsche Post AG and the business parcel service marketed by DHL Vertriebs GmbH.

Deutsche Post AG and Deutsche Postbank AG hold that the new investigation lacks any factual basis. All public transfers associated with the privatisation of Deutsche Bundespost, the public guarantees and the funding of pension obligations formed part of the subject matter of the state aid proceedings closed by the decision of 19 June 2002. That decision did not identify the measures concerned as incompatible state aid. Deutsche Post AG and Deutsche Postbank AG are further of the opinion that the statutorily granted exclusive rights and the regulated letter prices do not fulfil the legal criteria to be considered a form of state aid in the first place. Deutsche Post AG also considers the internal allocation of costs with its subsidiaries to be consistent with EU state aid rules and the case law of the European Court of Justice. Nonetheless, based on an overall appraisal, the possibility of the Commission finding a case of incompatible state aid cannot be ruled out.

The European Court of First Instance ruled on 1 July 2008 that the EU Commission's ruling of 19 June 2002, obliging Deutsche Post AG to repay state aid allegedly received, was void. As a result of the EU Commission's decision, Deutsche Post AG had to pay a total of €907 million to the Federal Republic of Germany in January 2003 (€572 million of alleged state aid plus interest), although it had immediately appealed against this decision. In accordance with the ruling of the European Court of First Instance, Germany repaid this amount plus interest to Deutsche Post AG; Deutsche Post AG received the total amount of €1,067 million from Germany on 1 August 2008.

The EU Commission appealed against the decision of the European Court of First Instance before the European Court of Justice. Deutsche Post AG expects the appeal to offer only little prospect of success. It cannot be ruled out, however, that the European Court of Justice allows the appeal, with the European Court of First Instance having to decide the issue again. Despite the continuing litigation, the 2002 ruling of the EU Commission could possibly become effective again; the total amount received as a result of the decision by the European Court of First Instance dated 1 July 2008 would have to be paid again to the Federal Republic of Germany.

With its decision of 23 July 2008, the EU Commission closed its investigation opened on 22 November 2006 with regard to possible state aid in connection with the construction of the DHL European air hub at Leipzig/Halle Airport. The Commission concluded that public investment amounting to some €350 million to finance the new southern runway is compatible with European law on state aid. At the same time, it considers the financial guarantees granted by Saxony to the benefit of DHL as inadmissible. If the grants are statutorily incompatible state aid they will have to be paid back by DHL in the opinion of the EU Commission. DHL, the Leipzig/Halle Airport and the state of Saxony appealed against this ruling before the European Court of First Instance. Neither the ineffectiveness of the liability regime nor the possibly existing repayment obligation will affect the daily operating business of DHL.

In October 2007, DHL Global Forwarding, along with all other major players in the freight forwarding industry, received a request for information from the Competition Directorate of the European Commission, a subpoena from the US Department of Justice's Antitrust Division and information requests from competition authorities in other jurisdictions in connection with a formal investigation into the setting of surcharges and fees in the international freight forwarding industry. In January 2008, an antitrust class action law suit was initiated in the New York district court on behalf of purchasers of freight forwarder services in which Deutsche Post AG and DHL are named as defendants. This civil law suit appears to be based on the fact that anti-trust investigations are on-going, but not on any known outcome or quantified loss. The Group is not able to predict or comment on the outcome of the investigations or the merits of the class action law suit, but believes its financial exposure in relation to both is limited and has not, therefore, taken any provision in its accounts.

55 Share-based remuneration

Share-based remuneration system for executives (2003 Stock Option Plan)

On the basis of the 2003 Stock Option Plan (SOP) resolved by the Annual General Meeting on 5 June 2003, no further options will be granted under the previous 2000 plan. Options were granted under the 2003 SOP for the first time on 1 August 2003 (Tranche 2003). The second tranche (Tranche 2004) was granted to executives on 1 July 2004. The third – and last – tranche under this plan (Tranche 2005) was granted on 1 July 2005.

The 2003 SOP allows for a larger number of participants and a change in the percentage distributions of the stock options among the different groups of participants, in addition to an increase in the total stock options to be issued. The grant of stock options to members of the Board of Management and executives in Group management level 2 still requires participants to invest in shares of Deutsche Post AG. Participants in Group management levels 3 and 4 receive stock options without any requirement to buy shares.

Share-based remuneration system

Number	Stock options	Stock appreciation rights (SAR) [1)]
Tranche 2003		
Board of Management	1,096,236	0
Other senior executives	11,953,356	731,736
Tranche 2004		
Board of Management	841,350	0
Other senior executives	8,486,946	1,116,374
Tranche 2005		
Board of Management	829,362	0
Other senior executives	9,233,310	1,216,320

1) Due to legal restrictions SAR were granted in some countries instead of stock options. Due to the fair value determined for the SAR no amounts were added to the provisions in 2008 (previous year: €2 million).

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

The average price or average index performance during two periods (reference period = exercise price; performance period = final price) is compared to establish whether and to what extent the performance targets have been satisfied. The reference period is the 20 consecutive trading days prior to the grant date. The performance period is the last 60 trading days before the end of the lock-up period. The average price is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra trading system.

The absolute performance target depends on the performance of Deutsche Post shares during the performance period, and is deemed to have been satisfied if the increase in the price of Deutsche Post shares exceeds 10, 15, 20, or 25% or more (expressed as the final price divided by the exercise price). The relative performance target is tied to the performance of the shares versus the performance of the Dow Jones STOXX Total Return Index. The relative performance target is satisfied if the performance of Deutsche Post shares during the above-mentioned period matches the performance of the Index or outperforms it by at least 10%.

For every six options, a maximum of four may be earned on the basis of the absolute performance target, and a maximum of two on the basis of the relative performance target. The respective stock options of the tranche concerned lapse without compensation if the absolute or the relative performance targets are not satisfied by the end of the lock-up period. Each option entitles the holder either to purchase one share in the company or to receive a cash settlement in the amount of the difference between the issue price and the average price of the Deutsche Post shares during the last five trading days prior to the exercise date, at the respective Board member's discretion.

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

2003 Stock Option Plan

	SOP 2003		
Stock options	Tranche 2003	Tranche 2004	Tranche 2005
Grant date	1 August 2003	1 July 2004	1 July 2005
Stock options granted	13,049,592	9,328,296	10,062,672
SAR granted	731,736	1,116,374	1,216,320
Exercise price	€12.40	€17.00	€19.33
Lock-up expires	31 July 2006	30 June 2007	30 June 2008
Dividend yield Deutsche Post AG	2.55%	3.05%	3.22%
Dividend yield Dow Jones Euro Stoxx Index	1.4%	1.7%	2.06%
Yield volatility of Deutsche Post AG share	39.3%	28.9%	17.07%
Yield volatility of Dow Jones Euro Stoxx Index	32.1%	14.8%	10.10%
Number			
Outstanding stock options as at 1 January 2008	1,197,538	3,170,940	8,816,004
Outstanding SAR as at 1 January 2008	117,124	267,980	695,076
Stock options exercised	1,133,452	411,824	0
SAR exercised	117,124	18,752	0
Stock options lapsed	64,086	32,458	8,816,004
of which lapsed before end of the lock-up period	0	0	191,208
of which lapsed because performance targets not met	0	0	8,624,796
of which lapsed after end of lock-up period	64,086	32,458	0
SAR lapsed	0	16,660	695,076
of which lapsed before end of the lock-up period	0	0	13,032
of which lapsed because performance targets not met	0	0	682,044
of which lapsed after end of lock-up period	0	16,660	0
Outstanding stock options as at 31 December 2008	0	2,726,658	0
Outstanding SAR as at 31 December 2008	0	232,568	0
Exercisable stock options as at 31 December 2008	0	2,726,658	0
Exercisable SAR as at 31 December 2008	0	232,568	0

Unexercised options from Tranche 2003 lapsed without compensation following the expiration of the exercise period on 1 August 2008. The options from Tranche 2005 lapsed without compensation following the expiration of the lock-up period on 1 July 2008 because the absolute and relative performance targets tied to them were not achieved.

Stock options outstanding as at 31 December 2008 have an average remaining maturity of 0.5 years. The weighted average exercise price of the stock options from tranches 2003 and 2004 exercised in the financial year is €13.63 (previous year: €14.28). These options were settled at the weighted average share price of €19.69 (previous year: €23.33).

Starting in financial year 2002, the SOP has been measured using investment techniques by applying option pricing models (fair value measurement). The expense of €4 million for options attributable to financial year 2008 (previous year: €14 million) was recognised under staff costs. No staff costs were recognised for SAR in 2008 (previous year: €2 million). Further details on share-based payments for members of the Board of Management can be found in Note 56.

2006 SAR Plan for executives and Long-Term Incentive Plan (2006 LTIP) for Board members

The 2006 SAR Plan supersedes the 2003 SOP described above, under which options could last be issued in 2005. As at 3 July 2006, selected executives received stock appreciation rights (SAR) under the new plan. This gives executives the chance to receive a cash payment within a defined period in the amount of the difference between the respective closing price of Deutsche Post shares on the previous day and the fixed issue price, if demanding performance targets are met.

The fair value of the 2006 SAR Plan and the 2006 Long-Term Incentive Plan (LTIP) for Board members was determined using a stochastic simulation model. As a result, no expense had to be recognised for financial year 2008 (previous year: €20.8 million). Of the €35 million of provisions recognised in prior periods for this purpose €27 million were reversed in financial year 2008. Additional details on the 2006 SAR Plan and the 2006 LTIP can be found in the Corporate Governance Report. The remuneration report (see Page 116) contained in the Corporate Governance Report also forms part of the Group Management Report. Further details on share-based remuneration of members of the Board of Management can be found in Note 56.

56 Related-party disclosures

56.1 Related-party disclosures (companies and Federal Republic of Germany)

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

Deutsche Post AG and Deutsche Postbank AG have a variety of relationships with the Federal Republic of Germany and other companies controlled by the Federal Republic of Germany.

The federal government is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG's business relationships are entered into with the individual public authorities and other government agencies as independent individual customers. The services provided to the respective individual customers are immaterial to the overall revenue of Deutsche Post AG.

Relationships with the *Bundesanstalt für Post und Telekommunikation* (BAnstPT)

The Federal Republic of Germany manages its interest in Deutsche Post AG and exercises its shareholder rights via the *Bundesanstalt für Post und Telekommunikation* ("Bundesanstalt") which has legal capacity and falls under the supervision of the German Federal Ministry of Finance. The *Gesetz über die Errichtung einer Bundesanstalt für Post und Telekommunikation* or *Bundesanstalt Post Gesetz* (BAnstG – German act to establish a Deutsche Bundespost Federal Posts and Telecommunications Agency or Federal Posts and Telecommunications Agency act) transferred specific legal rights and duties to the Bundesanstalt that relate to matters jointly affecting Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG. In addition, the Bundesanstalt manages the Postal Civil Service Health Insurance Fund, the recreation programme, the *Versorgungsanstalt der Deutsche Bundespost* ("VAP") and the welfare service for Deutsche Post AG, Deutsche Postbank AG, Deutsche Telekom AG and the Bundesanstalt. The coordination and administration tasks are performed on the basis of agency agreements. In 2008, Deutsche Post AG was invoiced for €64 million (previous year: €65 million) in instalment payments relating to services provided by the Bundesanstalt, and Deutsche Postbank AG was invoiced for €8 million (previous year: €4 million).

Relationships with the German Federal Ministry of Finance

In financial year 2001, the *Bundesministerium der Finanzen* (BMF – German Federal Ministry of Finance) and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German acts on the reduction of misdirected housing subsidies) relating to housing benefits granted by Deutsche Post. In financial year 2008, Deutsche Post AG paid to the federal government the aggregate amount of approximately €0.68 million for financial year 2007 and around €0.60 million in monthly instalments relating to financial year 2008. As agreed, the final settlement for financial year 2008 will be made by 1 July 2009.

Deutsche Post AG also entered into an agreement with the BMF dated 30 January 2004 relating to the transfer of civil servants to German federal authorities. Under this agreement, civil servants are seconded with the aim of transferring them initially for six months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the federal government by paying a flat fee. In 2008, this initiative resulted in six permanent transfers (previous year: 33) and two secondments with the aim of a permanent transfer (previous year: 2)

Relationships with Deutsche Telekom AG and its subsidiaries

In financial year 2008, the Group provided goods and services for Deutsche Telekom AG amounting to €0.35 billion (previous year: €0.4 billion). These were mainly transportation services for letters and parcels. In the same period, the Group purchased goods and services (including IT products and services) worth €0.4 billion (previous year: €0.4 billion) from Deutsche Telekom. Deutsche Telekom AG and Deutsche Postbank AG have also entered into a master loan agreement for €0.6 billion (previous year: €0.6 billion). In 2008, Deutsche Telekom AG had an issue of two loan notes placed by Deutsche Postbank International S.A. Luxembourg for €50 million each and a term to maturity of 6 years each.

Bundes-Pensions-Service für Post und Telekommunikation e.V.

Information on the Bundes-Pensions-Service für Post- und Telekommunikation e.V. can be found in Note 7.

Deutsche Post Pensionsfonds GmbH & Co. KG

The real estate, with a fair value of €1,041 million (previous year: €1,040 million), of which Deutsche Post Betriebsrenten Service e.V. (DPRS), Deutsche Post Pensionsfonds GmbH & Co. KG, Deutsche Post Betriebsrenten-Service e.V. & Co. Objekt Gronau KG and Deutsche Post Grundstücks Vermietungsgesellschaft beta mbH Objekt Leipzig KG are the legal or beneficial owners, is exclusively let to Deutsche Post Immobilien GmbH. Rental expense for Deutsche Post Immobilien GmbH amounted to €58.0 million in 2008 (previous year: €56.4 million). The rent was always paid on time. Therefore no expense was incurred for valuation allowances on receivables and for bad debt losses in 2008 and none is expected to be incurred in future years. There were no sales relationships between external authorities and a Group company of Deutsche Post AG in 2008.

Relationships with unconsolidated companies and associates

In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with a large number of unconsolidated subsidiaries and associates deemed to be related parties to the Group, in the course of its ordinary business activities. In the course of these activities, all transactions for the provision of goods and services entered into with unconsolidated companies were conducted on an arm's length basis at standard market terms and conditions. Transactions were conducted in financial year 2008 with major related parties, resulting in the following items in the consolidated financial statements:

€m	2007	2008
Receivables	43	4
Loans	17	12
Receivables from in-house banking	6	2
Financial liabilities	–45	–45
Liabilities	–57	–3
Liabilities from in-house banking	–15	–9

56.2 Related-party disclosures (individuals)

In accordance with IAS 24, the Group also reports on transactions between the Group and related parties or members of their families. Related parties are defined as the Board of Management, Supervisory Board, heads of corporate departments or business departments (second-level executives) and the members of their families.

There were no reportable transactions between members of the Board of Management and their families and the Group in financial year 2008. In some cases, members of the Supervisory Board were involved in legal transactions with Deutsche Post AG. These mainly related to services rendered in a volume of €0.4 million, and loans granted by Deutsche Postbank AG. In a few cases, second-level executives indicated to have concluded agreements with Deutsche Post AG. The transactions mainly consisted of rendering consulting and other services. The volume of these transactions was approximately €0.8 million. Deutsche Postbank AG granted loans to the second-level executives in the total amount of €2.4 million. The terms to maturity vary between 3 and 15 years. Unless a variable interest rate was agreed, the rate is between 3.2% and 5.6%. The amount of the loans was €2.2 million as at 31 December 2008.

The remuneration of key management personnel of the Group requiring disclosure under IAS 24 comprises the remuneration of the active Board of Management and Supervisory Board members. The active members of the Board of Management and the Supervisory Board were remunerated as follows:

thousands of €	2007	2008
Short-term employee benefits (less share-based remuneration)	16,599	12,565
Post-employment benefits	4,066	2,084
Termination benefits	8,363	0
Share-based remuneration	3,571	926
Total	**32,599**	**15,575**

The post-employment benefits are recognised as the service cost resulting from the pension provisions for active members of the Board of Management. The share-based remuneration amount relates to the share-based remuneration expense recognised in financial year 2008. It is itemised in the following table:

Share-based remuneration

thousands of €	2007			2008		
	Stock options	SAR	Total	Stock options	SAR	Total
Dr Frank Appel, Chairman	161	431	592	43	167	210
John Allan	0	35	35	0	84	84
Bruce Edwards	–	–	–	0	73	73
Jürgen Gerdes	11	105	116	11	96	107
John P. Mullen	106	431	537	43	131	174
Walter Scheurle	161	431	592	43	131	174
Hermann Ude	–	–	–	11	73	84
Dr Wolfgang Klein (until 9 November 2008)	0	0	0	0	0	0
Dr Klaus Zumwinkel (until 17 February 2008)	242	647	889	9	11	20
Prof. Dr Edgar Ernst (until 30 June 2007)	139	289	428	–	–	–
Dr Hans-Dieter Petram (until 30 June 2007)	118	146	264	–	–	–
Prof. Dr Wulf von Schimmelmann (until 30 June 2007)	118	0	118	–	–	–
Share-based remuneration	**1,056**	**2,515**	**3,571**	**160**	**766**	**926**

Further details on the share-based remuneration of the Board of Management in financial year 2008 are presented in the following table:

Number	Dr Frank Appel	John Allan	Bruce Edwards	Jürgen Gerdes	Dr Wolfgang Klein[1)]	John P. Mullen	Walter Scheurle	Hermann Ude	Dr Klaus Zumwinkel[2)]
SOP									
Outstanding stock options as at 1 January 2008	163,560	0	0	42,814	17,272	114,844	138,560	40,376	245,342
Stock options granted	0	0	0	0	0	0	0	0	0
Stock options lapsed	97,572	0	0	25,542	0	97,572	97,572	24,060	146,358
Stock options exercised	0	0	0	0	17,272	0	15,000	0	0
Outstanding stock options as at 31 December 2008	65,988	0	0	17,272	0	17,272	25,988	16,316	98,984
Exercisable stock options as at 31 December 2008	65,988	0	0	17,272	0	17,272	25,988	16,316	98,984
Weighted average settlement price in €	Not exercised	Not exercised	Not exercised	Not exercised	22.68	Not exercised	23.33	Not exercised	Not exercised
Weighted average exercise price in €	Not exercised	Not exercised	Not exercised	Not exercised	17.00	Not exercised	17.00	Not exercised	Not exercised
Weighted average term to maturity in years	0.5			0.5		0.5	0.5	0.5	0.5
SAR									
Outstanding SAR as at 1 January 2008	430,000	55,000	170,508	244,172	0	430,000	430,000	107,262	645,000
SAR granted	345,000	230,000	230,000	230,000	0	230,000	230,000	230,000	0
SAR lapsed	0	0	0	0	0	0	0	0	0
SAR exercised	0	0	0	0	0	0	0	0	0
Outstanding SAR as at 31 December 2008	775,000	285,000	400,508	474,172	0	660,000	660,000	337,262	645,000
Exercisable SAR as at 31 December 2008	0	0	0	0	0	0	0	0	0
Weighted average settlement price in €	All SAR granted are still in their lock-up period								
Weighted average exercise price in €									
Weighted average term to maturity in years	1.67	2.30	1.78	1.78	n/a	1.53	1.53	2.02	1.01

1) Until 9 November 2008.
2) Until 17 February 2008.

Board of Management remuneration

The total remuneration paid to the active members of the Board of Management in financial year 2008 including the components with long-term incentive effect totalled €16.7 million (previous year: €22.1 million). Of this amount, €9.0 million (previous year: €8.7 million) relates to components not linked to performance (fixed salary and fringe benefits), €2.9 million (previous year: €7.0 million) for performance-linked components (variables) and €4.8 million (previous year: €6.4 million) to components with long-term incentive effect (SAR). The number of SAR amounted to 1,725,000 (previous year: 1,375,000).

Former members of the Board of Management

The remuneration of former members of the Board of Management or their surviving dependants amounted to €43.1 million in the year under review (previous year: €10.28 million; the prior-year figures were restated following application of German Accounting Standard (DRS) 17. The defined benefit obligations (DBO) for current pensions calculated under IFRS amount to €25.3 million (previous year: €27.0 million).

Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board in financial year 2008 amounted to approximately €0.67 million (previous year: €0.9 million); €0.5 million of this amount was attributable to the fixed component (previous year: €0.6 million) and €0.1 million attendance allowances (previous year: €0.1 million). In financial year 2007, €0.2 million was paid as a short-term performance-related remuneration. Based on an agreement that has been terminated in the meantime, Prof. Dr von Schimmelmann was paid €384,000 in financial year 2008 for consulting services rendered beyond his activities for the Supervisory Board.

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found in the Corporate Governance Report. The remuneration report contained in the Corporate Governance Report also forms part of the management report.

Shareholdings of the Board of Management and Supervisory Board

Effective 31 December 2008, shares held by the Board of Management and the Supervisory Board of Deutsche Post AG amounted to less than 1% of the company's share capital.

Reportable transactions

For the transactions of Board of Management and Supervisory Board members involving securities of the company notified to Deutsche Post AG in accordance with Section 15a of the *Wertpapierhandelsgesetz* (WpHG – German securities trading act), please refer to the website of the company.

57 Significant subsidiaries, joint ventures and associates

	Country	Equity interest and share of voting rights % 31 December 2007	31 December 2008	Revenue €m 2007[1]	2008[1]
Significant subsidiaries					
Continuing operations					
MAIL					
DHL Vertriebs GmbH & Co. OHG	Germany	100.00	100.00	1,597	1,630
Global Mail Inc.	US	100.00	100.00	556	486
DHL Global Mail (UK) Ltd.	UK	100.00	100.00	172	146
DHL Global Mail Services (France) SAS	France	100.00	100.00	3	113[2]
Deutsche Post Customer Service Center GmbH	Germany	100.00	100.00	69	74
Interlanden B.V.	Netherlands	100.00	100.00	73	74
Deutsche Post Selekt Mail Nederland C.V.	Netherlands	51.00	51.00	65	57
Deutsche Post Com GmbH	Germany	100.00	100.00	40	47
Deutsche Post Global Mail (Australia) Pty Ltd.	Australia	100.00	100.00	29	33
Deutsche Post Adress GmbH & Co. KG	Germany	51.00	51.00	33	32
Güll GmbH	Germany	51.00	51.00	33	31
EXPRESS, GLOBAL FORWARDING/FREIGHT, SUPPLY CHAIN/CIS					
Exel Europe Ltd.	UK	100.00	100.00	3,283	3,049
DHL Express (USA) Inc.	US	100.00	100.00	3,127	2,486
Air Express International USA Inc.	US	100.00	100.00	1,848	1,735
DHL Freight GmbH	Germany	100.00	100.00	1,434	1,482
Exel Inc.	US	100.00	100.00	1,508	1,332
Danzas Z.F. Freight Agency Co. Ltd.	China	49.00	49.00	719	1,041[3]
DHL Global Forwarding GmbH	Germany	100.00	100.00	964	1,016
DHL Express (Sweden) AB	Sweden	100.00	100.00	957	948
DHL Express (Italy) S.r.L.	Italy	100.00	100.00	891	895
DHL Global Forwarding (UK) Ltd.	UK	100.00	100.00	687	673
DHL Solutions GmbH	Germany	100.00	100.00	623	666
DHL Global Forwarding (Hong Kong) Ltd.	China	100.00	100.00	628	641
DHL Express (UK) Ltd.	UK	100.00	100.00	714	623
DHL Express Germany GmbH	Germany	100.00	100.00	581	595
DHL Global Forwarding (France) SAS	France	100.00	100.00	477	534
Exel UK Ltd.	UK	100.00	100.00	708	531
DHL Global Forwarding (Italy) S.p.A.	Italy	100.00	100.00	479	527
DHL Express Iberia S.L. (Group)	Spain	100.00	100.00	533	525
Exel Transportation Services Inc.	US	100.00	100.00	490	525
DHL Express (Netherlands) B.V.	Netherlands	100.00	100.00	682	524
DHL International (UK) Ltd.	UK	100.00	100.00	607	522
DHL Sinotrans International Air Courier Ltd.	China	51.68	51.68	458	491
DHL Logistics (Brazil) Ltda.	Brazil	100.00	100.00	398	479
DHL Logistics (China) Co., Ltd.	China	50.00	100.00	211	443[4]
DHL Logistics (Schweiz) AG	Switzerland	100.00	100.00	400	431
DHL Exel Supply Chain (Spain) S.L.	Spain	100.00	100.00	420	423
Williams Lea Limited	UK	66.15	95.96	484	417
DHL Danzas Air & Ocean (Netherlands) B.V	Netherlands	100.00	100.00	397	396
DHL Global Forwarding (Sweden) AB	Sweden	100.00	100.00	411	394
SCM Supply Chain Management Inc.	Canada	100.00	100.00	400	391
Discontinued operations					
Deutsche Postbank AG (Group)	Germany	50.00 + 1 share	62.35	10,344	11,226
Significant joint ventures[5]					
Express Couriers Ltd.	New Zealand	50.00	50.00	84	86
Bahwan Exel LLC	Oman	50.00	49.00	22	32
Express Couriers Australia Pty Ltd.	Australia	–	50.00	–	28[6]
Significant associates					
Air Hong Kong Ltd.	China	40.00	40.00		

1) IAS amounts reported in single-entity financial statements. 2) January 2008: Koba SA merged with DHL Global Mail Services (France) SAS. 3) Due to contractual arrangements, full consolidation in accordance with IAS 27.13 b. 4) Fully consolidated since April 2008. Previous year: proportionate amounts. 5) Proportionate amounts. 6) Established in February 2008.

58 Auditors' fees

The following fees for services rendered by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, in financial year 2008 and in the financial year before, were recognised as expense:

€m	2007	2008
Audits of the financial statements	13.7	14.5
Other assurance or valuation services	5.9	7.6
Tax advisory services	0.3	0.8
Other services	4.6	11.7
Auditors' fees	**24.5**	**34.6**

59 Making use of Section 264 (3) HGB

For financial year 2008, Deutsche Post AG has exercised the simplification options allowed by Section 264 (3) of the HGB for the following companies:

- Danzas Deutschland Holding GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Com GmbH
- Deutsche Post Consult GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post Fleet GmbH
- Deutsche Post Immobilien GmbH
- Deutsche Post IT BRIEF GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post Real Estate Germany GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Technischer Service GmbH
- Deutsche Post World Net Inhouse Consulting GmbH
- Deutsche Post World Net Market Research and Innovation GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL BWLog GmbH
- DHL Express Germany GmbH
- DHL Global Forwarding GmbH
- DHL Global Management GmbH
- DHL Home Delivery GmbH
- DHL Hub Leipzig GmbH
- DHL International GmbH
- DHL Logistics GmbH
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Solutions Großgut GmbH
- DHL Solutions Retail GmbH
- DHL Verwaltungs GmbH
- European Air Transport Leipzig GmbH
- interserv Gesellschaft für Personal- und Beraterdienstleistungen mbH
- ITG GmbH Internationale Spedition
- Werbeagentur Janssen GmbH
- Williams Lea Deutschland GmbH
- Williams Lea Direct Marketing Solutions GmbH
- Williams Lea Document Solutions GmbH
- Williams Lea Inhouse Solutions GmbH
- Williams Lea Marketing Solutions GmbH
- Williams Lea Print Solutions GmbH

60 Declaration of Conformity with the German Corporate Governance Code

On 16 December 2008, the Board of Management and the Supervisory Board of Deutsche Post AG together published the Declaration of Conformity with the German Corporate Governance Code for financial year 2008 required by Section 161 of the *Aktiengesetz* (AktG–German stock corporation act). The Board of Management and the Supervisory Board of Deutsche Postbank AG, whose financial statements are included in the consolidated financial statements of Deutsche Post AG, made the Declaration of Conformity on 28 November 2008. The Declarations of Conformity can be accessed online at www.corporate-governance-code.de and at www.dpwn.com or www.postbank.com.

61 Significant events after the balance sheet date

On 14 January 2009, Deutsche Bank AG and Deutsche Post AG announced an adjustment to the structure of the Postbank share-acquisition contract. Deutsche Bank AG and Deutsche Post AG agreed on an improved transaction structure for Deutsche Bank's acquisition of Deutsche Postbank AG shares based on the previous purchase price. The contract now comprises three tranches. Under this new contractual structure, Deutsche Post AG received the proceeds of the whole transaction on the day of closing (25 February 2009) and thus far earlier than originally agreed. The cash value of the transaction is €4.9 billion.

As a first step, Deutsche Bank acquires 50 million Postbank shares – a stake of 22.9% – in a non-cash capital increase. Upon entry of the capital increase in the commercial register, Deutsche Post acquires a shareholding of approximately 8% in Deutsche Bank. Deutsche Post can dispose over half of this holding from the end of April. The other half may be disposed of from mid-June. It has been agreed that mechanisms designed to avoid market disturbances will be applied to any such sales. A certain amount of hedging has been carried out for the interim.

At the same time, Deutsche Bank fully underwrote, in a second tranche, mandatory exchangeable bonds issued by Deutsche Post. After three years, these bonds – including interest payments accrued – will be exchanged for 60 million Postbank shares, or a 27.4% stake. The bonds are zero-coupon bonds with a 4% accrued interest per year. The cash value of the bonds at the time of the closing is €2.6 billion.

Put and call options remain in place for the remaining 26.4 million shares (or 12.1%). A cash collateral is paid for the options amounting to the cash value of €1.1 billion at the time of the closing. The exercise periods are now set between the 36th and 48th month after closing. Through the collateralisation of the put option and the subscription to the mandatory exchangeable bonds, Deutsche Post receives €4.2 billion in direct liquid finds, of which €3.1 billion were received by Deutsche Post on 2 January 2009 and a further €1.1 billion on 25 February 2009.

62 Miscellaneous

The Group and the Spanish telecommunications operator Telefónica signed a telecoms service agreement in January 2009 to manage services across 28 European countries over the next five years. Telefónica will thus become the Group's primary fixed and mobile telecommunications provider in Europe. The agreement is expected to help save over €150 million in costs over the period. Subject to the antitrust authorities' regular approval and after conclusion of the transaction, the services will be managed by a dedicated service centre in Prague and is expected to go live in early summer of 2009. Due to a long-term agreement signed with Deutsche Telekom, Germany is exempted from this arrangement made with Telefónica.

63 Additional information: consolidated financial statements including the Deutsche Postbank Group at equity (Postbank at equity)

In addition to the consolidated financial statements with their full inclusion of the Deutsche Postbank Group, consolidated financial statements were prepared including the Deutsche Postbank Group at equity, since the activities of the Deutsche Postbank Group differ substantially from the ordinary activities of the other companies in the Group. The Deutsche Postbank Group was excluded from full consolidation in the following consolidated financial statements as at 31 December 2008. The Deutsche Postbank Group is accounted for in these supplemental financial statements only as a financial investment carried at equity. The accounting treatment in these financial statements differs from the standards required by the IFRS to the extent that the Deutsche Postbank Group was not fully consolidated, as required by IAS 27, but was accounted for at equity.

The cash flow statement including Postbank at equity is based on the consolidated financial statements including Postbank at equity. This means that the cash flows of the Deutsche Postbank Group are eliminated, but the cash flows between the Group companies and the Deutsche Postbank Group are re-included. In addition, net income from the measurement of the Deutsche Postbank Group at equity is included as non-cash income in net cash from operating activities. The dividend paid by Deutsche Postbank AG to Deutsche Post AG is included in cash flows from investing activities. All other items are treated in the same way as in the consolidated cash flow statement. Further disclosures relating to the cash flow statement can be found in Note 50.

63.1 Additional information: income statement (Postbank at equity)

1 January to 31 December

€m	2007 restated[1]	2008
Revenue	54,043	54,474
Other operating income	2,343	2,736
Total operating income	**56,386**	**57,210**
Materials expense	−30,703	−31,979
Staff costs	−17,169	−17,990
Depreciation, amortisation and impairment losses	−2,196	−2,662
Other operating expenses	−4,185	−5,146
Total operating expenses	**−54,253**	**−57,777**
Profit/loss from operating activities (EBIT)	**2,133**	**−567**
Net income from associates	3	2
Net income from measurement of Deutsche Postbank Group at equity	429	−357
Other financial income	103	621
Other finance costs	−1,051	−1,122
Net other finance costs	−948	−501
Net finance costs	**−516**	**−856**
Profit/loss before income taxes	**1,617**	**−1,423**
Income tax expense	−173	−200
Consolidated net profit/loss for the period	**1,444**	**−1,623**
attributable to Deutsche Post AG shareholders	1,383	−1,688
Minorities	**61**	**65**

1) See Note 5.

63.2 Additional information: balance sheet (Postbank at equity)

As at 31 December

€m	2007 restated[1)]	2008
ASSETS		
Intangible assets	12,792	11,627
Property, plant and equipment	7,826	6,676
Investment property	115	32
Investments in associates	203	61
Investments in Deutsche Postbank Group	1,639	2,173
Other non-current financial assets	754	574
Non-current financial assets	2,596	2,808
Other non-current assets	497	514
Deferred tax assets	537	1,033
Non-current assets	**24,363**	**22,690**
Inventories	248	269
Income tax assets	195	191
Receivables and other assets	9,377	8,715
Financial instruments	74	50
Cash and cash equivalents	1,339	1,350
Assets held for sale	50	48
Current assets	**11,283**	**10,623**
Total assets	**35,646**	**33,313**
EQUITY AND LIABILITIES		
Issued capital	1,207	1,209
Other reserves	875	439
Retained earnings	8,953	6,178
Equity attributable to Deutsche Post AG shareholders	11,035	7,826
Minority interest	146	111
Equity	**11,181**	**7,937**
Provisions for pensions and other employee benefits	4,846	4,685
Deferred tax liabilities	467	833
Other non-current provisions	2,073	2,511
Non-current provisions	**7,386**	**8,029**
Non-current financial liabilities	3,822	3,318
Other non-current liabilities	365	367
Non-current liabilities	**4,187**	**3,685**
Non-current provisions and liabilities	**11,573**	**11,714**
Current provisions	**1,680**	**2,807**
Current financial liabilities	1,156	779
Trade payables	5,211	4,980
Income tax liabilities	352	351
Other current liabilities	4,493	4,745
Liabilities associated with assets held for sale	0	0
Current liabilities	**11,212**	**10,855**
Current provisions and liabilities	**12,892**	**13,662**
Total equity and liabilities	**35,646**	**33,313**

1) See Note 5.

63.3 Additional information: cash flow statement (Postbank at equity)

1 January to 31 December

€m	2007 restated[1)]	2008
Net profit/loss before taxes	**1,617**	**–1,423**
Net finance costs excluding net income from measurement at equity	945	499
Net income from measurement at equity	–429	357
Profit/loss from operating activities (EBIT)	**2,133**	**–567**
Depreciation/amortisation of non-current assets	2,196	2,662
Net income from disposal of non-current assets	–226	–76
Non-cash income and expense	47	217
Change in provisions	–877	838
Change in other assets and liabilities	–146	–20
Income taxes paid	–278	–325
Net cash from operating activities before changes in working capital	**2,849**	**2,729**
Changes in working capital		
Inventories	10	–50
Receivables and other assets	–657	583
Liabilities and other items	606	100
Net cash from operating activities	**2,808**	**3,362**
Proceeds from disposal of non-current assets		
Subsidiaries and other business units	62	0
Property, plant and equipment and intangible assets	625	1,421
Other non-current financial assets	131	162
	818	**1,583**
Cash paid to acquire non-current assets		
Subsidiaries and other business units	–261	–424
Property, plant and equipment and intangible assets	–1,930	–1,660
Other non-current financial assets	–152	–1,085
	–2,343	**–3,169**
Interest received	112	570
Dividend Postbank	103	103
Current financial instruments	0	–1
Net cash used in investing activities	**–1,310**	**–914**
Proceeds from issuance of non-current financial liabilities	552	176
Repayments of non-current financial liabilities	–452	–497
Change in current financial liabilities	–857	–337
Other financing activities	153	–148
Dividend paid to Deutsche Post AG shareholders	–903	–1,087
Dividend paid to other shareholders	–56	–80
Issuance of shares under stock option plan	73	21
Interest paid	–411	–434
Net cash used in financing activities	**–1,901**	**–2,386**
Net change in cash and cash equivalents	–403	62
Effect of changes in exchange rates on cash and cash equivalents	–46	–53
Changes in cash and cash equivalents due to changes in consolidated group	27	2
Cash and cash equivalents at beginning of reporting period	1,761	1,339
Cash and cash equivalents at end of reporting period	**1,339**	**1,350**

1) See Note 50.

Responsibility Statement

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

Bonn, 25 February 2009
Deutsche Post AG
The Board of Management

Dr Frank Appel John Allan Bruce Edwards Jürgen Gerdes John P. Mullen Walter Scheurle Hermann Ude

Auditor's Report

We have audited the consolidated financial statements prepared by Deutsche Post AG, Bonn, comprising the income statement, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB ("Handelsgesetzbuch"; German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 13 February 2009 and 25 February 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Klaus-Dieter Ruske	Hans-Joachim Holte
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FURTHER INFORMATION

D

STAMPIT – DIGITAL FRANKING: Our customers are able to buy stamps for their mail via the internet, whether it be for a letter, package or parcel. The two-dimensional barcode can be printed out from their computer using a standard printer. The barcode contains all the important information about the item, such as the type of product, date, postage amount and parts of the recipient's address.

Symbol: Barcode

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Glossary

Container

Sealed, reusable metal box for carrying goods.

Contract logistics

Performance of complex logistics and logistics-related tasks along the value chain by a service provider. Services tailored to the particular industry and customer are provided under contracts lasting several years.

Day Definite

Delivery of express shipments on a specified day.

Dialogue marketing

Market-orientated activities which draw on direct communications to selectively reach target groups through a personal, individualised approach and to enter into dialogue.

Distribution

Process flows in the sales channel from producers via wholesalers/retailers to consumers.

EU Postal Directive

Legal framework for the postal markets in the member states of the European Union.

Exclusive licence

In accordance with the German postal act, Deutsche Post AG had the exclusive licence until the end of 2007 to commercially transport certain items. The exclusive licence expired with effect from 1 January 2008.

Federal Network Agency *(Bundesnetzagentur)*

National regulator for electricity, gas, telecommunications, post and railway. Previously the Regulatory Authority for Telecommunications and Posts *(Regulierungsbehörde für Telekommunikation und Post)*.

First Choice

Group-wide programme aimed at improving service quality and enhancing customer focus.

Full Container Load (FCL)

Shipments which completely fill a container.

Global Customer Solutions

Customer relationship management organisation for the Group's largest and most important global clients.

GoGreen

Deutsche Post World Net's climate protection programme.

Hub

Main transhipment base. Collection centre for the transhipment and consolidation of flows of goods.

Intermodal transport

Transport chain integrating different modes of transport, often combining road and rail.

Less than Container Load (LCL)

Loads that will not fill a container by themselves and are therefore grouped for ocean transport.

Outsourcing

The subcontracting of tasks to external service providers.

Packstation

Parcel machine where parcels and small packets can be deposited and collected around the clock.

Paketbox

Postbox for franked parcels and small packets (maximum dimensions: 50 × 40 × 30 cm).

Philately

The study of stamps. Systematic collection of postage stamps.

Postal act *(Postgesetz)*

The purpose of the German postal act, which took effect on 1 January 1998, is to promote postal competition through regulation and ensure the nationwide provision of appropriate and sufficient postal services. The postal act includes regulations on licensing, price control and the universal service.

Preferred periodical

A press product of which more than 30 % consists of journalistic reporting.

Price-cap procedure

Procedure whereby the Federal Network Agency approves prices for certain mail products. The agency approves prices on the basis of parameters it stipulates in advance, which set the average changes in these prices within baskets of services defined by the agency.

Same Day

Same-day delivery of express shipments.

Standard letter

Letter measuring max. 235 × 125 × 5 mm and weighing up to 20 g.

Standard periodical

A press product of which no more than 30 % consists of journalistic reporting.

Supply chain

A series of connected resources and processes from sourcing materials to delivering goods to consumers.

TEU

Twenty-foot equivalent unit. Standardised container unit measuring 20 feet in length (1 foot = approximately 30 cm).

Time Definite

Delivery of express shipments at a specified time.

Value-added services

Services which go beyond core services offered and thus create added value.

Contacts

Contacts

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Deutsche Post Foreign Language Services et al.

The English version of the Annual Report 2008 of Deutsche Post AG constitutes a translation of the original German version. Only the German version is legally binding, in so far as this does not conflict with legal provisions in other countries.

8-Year Review

8-year review 2001 to 2008

€m	2001 restated	2002 restated	2003 restated	2004 restated	2005 restated	2006 restated	2007 restated	2008
Revenue								
MAIL	11,707	12,129	12,495	12,747	12,878	15,290	14,569	14,393
EXPRESS	6,421	14,637	15,293	17,557	16,831	13,463	13,874	13,637
LOGISTICS	9,153	5,817	5,878	6,786	9,933	24,405	–	–
GLOBAL FORWARDING/FREIGHT	–	–	–	–	–	–	12,959	14,179
SUPPLY CHAIN/CIS	–	–	–	–	–	–	14,317	13,718
FINANCIAL SERVICES	8,876	8,676	7,661	7,349	7,089	9,593	–	–
SERVICES	–	–	–	–	3,874	2,201	–	–
Divisions total	36,157	41,259	41,327	44,439	50,605	64,952	55,719	55,927
Corporate Center/Other (until 2004: Other/Consolidation; until 2006: Consolidation)	–2,778	–2,004	–1,310	–1,271	–6,011	–4,407	–1,676	–1,453
Continuing operations	–	–	–	–	–	–	54,043	54,474
Discontinued operations	–	–	–	–	–	–	10,335	11,226
Total	**33,379**	**39,255**	**40,017**	**43,168**	**44,594**	**60,545**	**–**	**–**
Profit/loss from operating activities before goodwill amortisation (EBITA)								
MAIL	1,960	2,144	2,082	2,085	2,030	2,094	1,976	2,253
EXPRESS	176	270	365	373	411	288	–272	–2,144
LOGISTICS	159	173	206	281	346	751	–	–
GLOBAL FORWARDING/FREIGHT	–	–	–	–	–	–	409	389
SUPPLY CHAIN/CIS	–	–	–	–	–	–	577	–65
FINANCIAL SERVICES	522	679	568	716	869	1,004	–	–
SERVICES	–	–	–	–	679	–229	–	–
Divisions total	2,817	3,266	3,221	3,455	4,335	3,908	2,690	433
Corporate Center/Other (until 2004: Other/Consolidation; until 2006: Consolidation)	–270	–297	–246	–84	–131	–36	–557	–390
Continuing operations	–	–	–	–	–	–	2,133	43
Discontinued operations	–	–	–	–	–	–	1,060	–871
Total	**2,547**	**2,969**	**2,975**	**3,371**	**4,204**	**3,872**	**–**	**–**
Profit/loss from operating activities (EBIT)								
MAIL	1,958	2,138	2,067	2,072	2,030	2,094	1,976	2,253
EXPRESS	126	–79	152	117	–23	288	–272	–2,144
LOGISTICS	42	80	116	182	346	751	–	–
GLOBAL FORWARDING/FREIGHT	–	–	–	–	–	–	409	389
SUPPLY CHAIN/CIS	–	–	–	–	–	–	577	–675
FINANCIAL SERVICES	520	678	567	714	863	1,004	–	–
SERVICES	–	–	–	–	679	–229	–	–
Divisions total	2,646	2,817	2,902	3,085	3,895	3,908	2,690	–177
Corporate Center/Other (until 2004: Other/Consolidation; until 2006: Consolidation)	–270	–297	–246	–84	–131	–36	–557	–390
Continuing operations	–	–	–	–	–	–	2,133	–567
Discontinued operations	–	–	–	–	–	–	1,060	–871
Total	**2,376**	**2,520**	**2,656**	**3,001**	**3,764**	**3,872**	**–**	**–**
Consolidated net profit/loss for the period	**1,587**	**1,590**	**1,342**	**1,740**	**2,448**	**2,282**	**1,873**	**–1,979**
Cash flow/investments/depreciation and amortisation								
Total cash flow from operating activities	3,059	2,967	3,006	2,336	3,624	3,922	5,151	1,939
Total cash flow from investing activities	–2,380	–2,226	–2,133	–385	–5,052	–2,697	–1,053	–441
Total cash flow from financing activities	–619	147	–304	–493	–1,288	–865	–1,787	–1,468
Investments	3,468	3,100	2,846	2,536	6,176	4,066	2,343	3,169
Depreciation and amortisation	1,285	1,893	1,693	1,821	1,961	1,771	2,196	2,662

8-Year Review

8-year review 2001 to 2008

		2001 restated	2002 restated	2003 restated	2004 restated	2005 restated	2006 restated	2007 restated	2008
Assets and capital structure									
Non-current assets [1]	€m	12,304	14,536	15,957	17,027	25,223	26,074	25,764	20,517
Current assets (until 2003: including deferred tax assets) [1]	€m	144,397	148,111	138,976	136,369	147,417	191,624	209,656	242,447
Equity (excluding minority interest)	€m	5,353	5,095	6,106	7,242	10,624	11,220	11,035	7,826
Minority interest	€m	75	117	59	1,623	1,791	2,732	2,778	2,026
Current and non-current provisions	€m	10,971	12,684	12,673	12,441	12,161	14,233	12,276	10,836
Current and non-current liabilities [2]	€m	8,770	11,900	12,778	15,064	19,371	20,850	21,544	242,276
Total assets	**€m**	**156,701**	**162,647**	**154,933**	**153,396**	**172,640**	**217,698**	**235,420**	**262,964**
Employees/staff costs (2007/2008: Continuing operations)									
Total number of employees (headcount including trainees)	at 31 December	321,369	371,912	383,173	379,828	502,545	520,112	512,147	512,536
Full-time equivalents (excluding trainees) [3]	at 31 December	283,330	334,952	348,781	340,667	455,115	463,350	453,626	451,515
Average number of employees (headcount)		323,298	375,890	375,096	381,492	393,463	507,641	500,252	511,292
Staff costs	€m	11,246	13,313	13,329	13,840	14,337	18,616	17,169	17,990
Staff cost ratio [4]	%	33.7	33.9	33.3	32.1	32.2	30.7	31.8	33.0
Key figures revenue/income/assets and capital structure									
Return on sales [5]	%	7.6	7.6	7.4	7.0	8.4	6.4	3.9	–1.0
Return on equity (ROE) before taxes [6]	%	45.9	35.5	34.2	29.2	28.7	21.6	8.6	–9.0
Return on assets [7]	%	1.5	1.6	1.7	1.9	2.3	2.0	0.9	–0.2
Tax rate [8]	%	26.1	14.3	29.9	20.2	19.8	19.7	14.0	–
Equity ratio [9]	%	3.4	3.1	3.9	5.8	7.2	6.4	5.9	3.7
Net debt (Postbank at equity) [10]	€m	1,750	1,494	2,044	–32	4,193	3,083	2,858	2,412
Net gearing (Postbank at equity) [11]	%	24.6	22.7	25.1	–0.4	28.1	21.4	20.4	23.3
Dynamic gearing (Postbank at equity) [12]	years	0.64	0.46	0.82	0.00	2.44	1.42	1.02	0.72
Key share data									
(Diluted) earnings per share [13]	€	1.42	0.59	1.18	1.44	1.99	1.60	1.15	–1.40
(Diluted) earnings per share before extraordinary expense [13]	€	1.42	1.41	1.18	1.44	1.99	1.60	1.15	–1.40
Cash flow per share [13], [14]	€	2.75	2.67	2.70	2.10	3.23	3.28	4.27	1.60
Dividend distribution	€m	411.74	445.12	489.63	556.40	835.71	903.00	1,087.34	725.41 [15]
Payout ratio (distribution to consolidated net profit)	%	26.11	67.54	37.41	34.82	37.39	47.13	78.62	–
Dividend per share	€	0.37	0.40	0.44	0.50	0.70	0.75	0.90	0.60 [15]
Dividend yield (based on year-end closing price)	%	2.5	4.0	2.7	3.0	3.4	3.3	3.8	5.0
(Diluted) price/earnings ratio before extraordinary expense [16]		10.6	7.1	13.9	11.7	10.3	14.3	20.4	–8.5
Number of shares carrying dividend rights	millions	1,112.8	1,112.8	1,112.8	1,112.8	1,193.9	1,204.0	1,208.2	1,209.0
Year-end closing price	€	14.99	10.00	16.35	16.90	20.48	22.84	23.51	11.91

1) From 2004 balance sheet presented in accordance with the new IAS 1 as explained in item 5 of the Notes to the 2005 consolidated financial statements. 2) Excluding liabilities from financial services. 3) Until 2004 including trainees. 4) Staff costs/revenue. 5) EBITA/revenue; from 2004: EBIT/revenue (2007/2008: continuing operations). 6) Profit before income taxes (2007/2008 continuing operations)/average equity (from 2004 including minority interest). 7) EBIT (2007/2008: continuing operations)/average total assets. 8) Income tax expense/profit before income taxes; including discontinued operations. 9) Equity (from 2004 including minority interest)/total assets. 10) Financial liabilities excluding cash and cash equivalents, current financial instruments, long-term deposits, and financial liabilities to minority shareholders of Williams Lea. 11) Net debt/net debt and equity (from 2004 including minority interest). 12) Net debt/cash flow from operating activities. 13) The weighted average number of shares for the period was used for the calculation. 14) Cash flow from operating activities. 15) To be proposed to the AGM. 16) Year-end closing price/earnings per share before extraordinary expense.

Events

Financial calendar[1)]

21 April 2009	Annual General Meeting (Frankfurt am Main)
6 May 2009	Interim report on the first quarter of 2009, investors conference call
23 July 2009	Press conference and investors conference on the first half of 2009
31 July 2009	Interim report on the first half of 2009
5 November 2009	Interim report on the first nine months of 2009, investors conference call

1) For more information on other events, updates and details of live webcasts, please visit investors.dpwn.com.

Investor events

25 March 2009	Cheuvreux EMEA Conference (Paris)
31 March – 1 April 2009	Merrill Lynch All Stars Conference (New York)
20 May 2009	Wolfe Research Conference (New York)
10 – 12 June 2009	Exane BNP Paribas Conference (Paris)
22 – 23 June 2009	Goldman Business Services Conference (London)
23 – 24 June 2009	Deutsche Bank German Corporate Conference (Frankfurt am Main)
14 – 15 September 2009	Sanford C. Bernstein’s Strategic Decisions Conference (London)
22 – 24 September 2009	UniCredit German Investment Conference (Munich)

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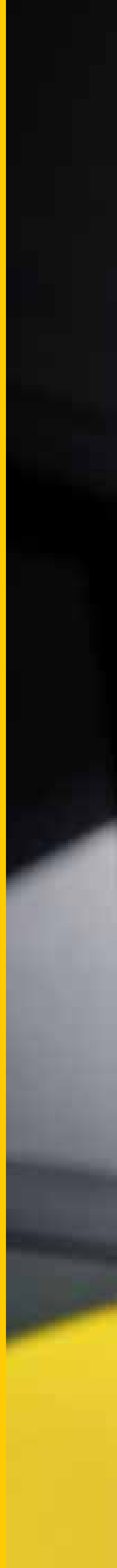

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