Divisions

Overview

EBIT and revenue by segment[1)]

€m	2006 restated	2007	+/– %	Q4 2006	Q4 2007	+/– %
MAIL						
Profit from operating activities (EBIT)	2,094	2,003	–4.3	685	739	7.9
Revenue	15,290	15,484	1.3	4,229	4,309	1.9
of which Mail Communication	6,342	6,070	–4.3	1,676	1,619	–3.4
Dialogue Marketing (formerly Direct Marketing)	2,875	2,914	1.4	803	824	2.6
Press Services (formerly Press Distribution)	820	822	0.2	213	216	1.4
Parcel Germany	2,587	2,558	–1.1	749	748	–0.1
Global Mail/Corporate Information Solutions	2,917	3,338	14.4	866	965	11.4
Consolidation/Other	–251	–218	13.1	–78	–63	19.2
EXPRESS						
Profit or loss from operating activities (EBIT)	288	–174	–160.4	134	–420	–413.4
Revenue	13,463	13,874	3.1	3,538	3,757	6.2
of which Europe	6,381	6,624	3.8	1,715	1,891	10.3
Americas	4,379	4,165	–4.9	1,100	1,036	–5.8
Asia Pacific	2,443	2,576	5.4	647	681	5.3
EEMEA (Eastern Europe, Middle East, Africa)	819	1,064	29.9	225	287	27.6
Consolidation	–559	–555	0.7	–149	–138	7.4
LOGISTICS						
Profit from operating activities (EBIT)	751	957	27.4	255	339	32.9
Revenue	24,405	25,739	5.5	6,693	6,733	0.6
of which DHL Global Forwarding	9,271	9,410	1.5	2,396	2,522	5.3
DHL Exel Supply Chain	11,998	13,099	9.2	3,420	3,382	–1.1
DHL Freight	3,712	3,646	–1.8	979	947	–3.3
Consolidation/Other	–576	–416	27.8	–102	–118	–15.7
FINANCIAL SERVICES						
Profit from operating activities (EBIT)	1,004	1,076	7.2	306	212	–30.7
Revenue	9,593	10,426	8.7	2,482	2,692	8.5
SERVICES						
Loss from operating activities (EBIT)	–229	–660	–188.2	–98	–210	–114.3
Revenue	2,201	2,357	7.1	599	632	5.5
Group						
Profit from operating activities (EBIT)	3,872	3,202	–17.3	1,282	660	–48.5
Revenue	60,545	63,512	4.9	16,334	16,965	3.9

1) Excluding Consolidation.

MAIL

Business units and market positions

Domestic 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
- Packstation

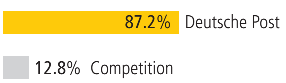
Risks, page 86

Europe's largest postal company

We deliver Germany's mail. The around seventy million items we carry on average every working day make us Europe's largest postal company. Our range of mail products for private and business customers extends from standard letters to merchandise. We also offer services such as cash-on-delivery and registered mail. Three options are available for franking mail items: the conventional postage stamp; online; and, for mass mailings, fully computer-based solutions. More than a million collectors (philatelists) have our new stamp issues delivered postage-paid every month. We also sell and market collectors' coins under a contract with the German government. Alongside our standard products, we develop tailor-made mail solutions for our business customers and for business process outsourcing. We digitalise incoming mail, for example, and deliver it to the internal recipients electronically.

Historically, our mail business has focused on Germany. The domestic market volume of mail communication in 2007 was approximately €6.6 billion, around 3% less than in 2006 (€6.8 billion). The market is shrinking as conventional mail is steadily being ousted by electronic communications media, such as fax, e-mail, text messaging and the internet. This trend is most apparent in the telecoms industry, which is now issuing a significantly greater number of electronic invoices. At the same time, competition is becoming tougher on the German mail market, which remains regulated. These two factors have resulted in a slight decline in our market share but it still remains at 87.2%.

Market share (volume) in mail communication in Germany, 2007
Market volume: 9.3 billion items



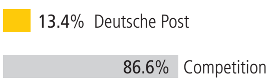
Source: company estimates

Solutions for direct customer dialogue

By way of conventional dialogue marketing instruments, we support our business partners' targeted communications with their clients, providing sophisticated IT solutions that enable companies not only to handle mail-shots easily but also to optimise their postage costs. At the same time, we develop solutions for cross-media customer dialogue and advertising campaigns. We offer a full range of services, from consulting and concept development all the way to media planning and buying as well as the production and dispatch of advertising materials. We thus combine dialogue marketing with conventional advertising. We also conduct market research to measure the impact of such advertising.

The market sector relevant to us, namely dialogue marketing in the narrower sense – advertising mailings, telephone and e-mail marketing – grew by 1.6% year-on-year to reach a volume of €20.9 billion. We maintained our share (13.4%) of this highly fragmented market.

Market share (revenue) in dialogue marketing, 2007
Market volume: €20.9 billion

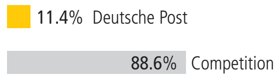


Source: company estimates

Newspapers for Germany

We deliver newspapers and magazines nationwide and on the day specified by the customer. Our Press Services Business Unit offers two product groups. The preferred periodical is the product traditionally used by publishers to mail subscribed publications, whilst the standard periodical is our distribution product primarily for companies which publish customer magazines to advertise their products and services. Our special services include electronic address updating as well as complaint and quality management.

Market share (volume) in press services, 2007
Market volume: 17.9 billion items



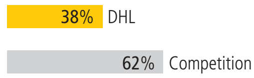
Source: company estimates

According to market studies, the press services market amounted to 17.9 billion items in 2007, or 1.5% fewer than in the previous year. Growth in the business of television programme guides and magazines enabled us to offset decreases, particularly in the daily newspaper segment, so that we maintained our market share (11.4%). The trend towards heavier items, and therefore higher average prices, is being sustained.

Highly contested parcel business

We deliver around 2.5 million parcels a day in Germany and seek to make access to our services as simple as possible for customers. We have developed special solutions tailored to the segments in which our business customers operate. We support mail order companies, for example, in transporting their merchandise to consumers and carrying their returns. By way of more than 13,500 retail outlets and some 900 Packstations, we enable our private customers to send and collect parcels and small packets around the clock practically everywhere. In addition, we have successfully tested the Paketbox – a letterbox for franked parcels. We make systematic use of the high-speed medium that is the internet: Private customers can purchase cardboard boxes, frank parcels, place parcel collection orders and track items online. Business customers can register easily, and send and track parcels immediately.

Market share (revenue) in parcels, 2007
Market volume: €6.3 billion



Source: company estimates

In 2007, the market volume of the parcel business totalled €6.3 billion, which represents a year-on-year rise of 6.3%. Several very capable providers compete for shares in this highly contested sector. We stabilised our share at around 38%.

International business units and products

Global Mail

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

Corporate Information Solutions

- Office Document Solutions
  - Mailroom management
  - Digital archiving
  - Scanning, printing and photocopying
  - Desktop publishing

- Customer Correspondence Management
  - Document management
  - Regular communications
  - Digital mailrooms
  - Fulfilment and logistics

- Marketing Solutions
  - Print management
  - Website development
  - Content management
  - Creative services and design
  - Fulfilment and distribution

Well positioned abroad

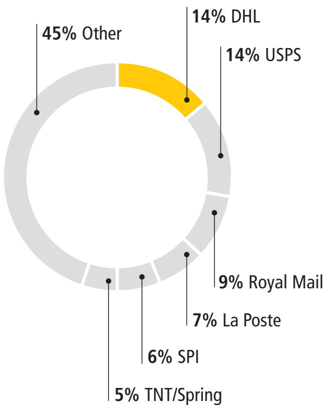
We transport mail across borders, serve the domestic markets of other countries and, apart from carrying mail, also provide special services. We serve business customers in key national mail markets, including the USA, the Netherlands, the UK, Spain and France. In the Netherlands, we realigned our product portfolio in the reporting period in response to the fierce price competition in the direct marketing segment. In Japan, we stepped up our co-operation with Yamato Holding in the direct marketing and unaddressed delivery sectors.

The global market volume for cross-border mail was approximately €10 billion – more or less the same as in the previous year. Although competition has become even tougher, we sustained a market share of 14%. We thus defended our position on a par with the United States Postal Service – amongst other things, by increasing the volume of mail from Germany, Austria, Switzerland and the USA.

Expertise in information exchange

Every day, companies need to process large quantities of information as well as transfer documents and data. Managing business processes is becoming steadily more complex – especially in the international business arena. Our subsidiary Williams Lea specialises in the management of digital and printed information. Its principal activities are photocopying, printing, mailroom management and office services; other services include the outsourcing of transaction printing, document management and the end-to-end processing of customer correspondence. We develop individual solutions that enable our customers to attend more closely to their clients and operate more profitably. Such solutions can embrace the outsourcing of services or realignment of business processes. Moreover, effective document management reduces the risk of records getting lost.

Market share (revenue) in global cross-border mail market, 2006
Market volume: €10.4 billion



Sources: company estimates, UPU statistics 2006, annual reports for USPS, Royal Mail, La Poste, SPI and TNT, additional calculations and estimates

Strategy and goals

Our goal is to continue operating highly profitably. In the domestic mail business, our exclusive licence for letters weighing less than 50g lapsed on 31 December 2007. With a view to making good the anticipated loss of market share, we are pursuing three aims: extending our range of services, reinforcing our position abroad and making our transport and delivery network costs more flexible.

Clear parameters for 2008

Ahead of the complete liberalisation of the German mail market, key parameters that will shape our business in the future were defined. Mail prices will continue to be regulated by the *Bundesnetzagentur* (German federal network agency). The new regulations allow us to keep postage costs for private customers stable whilst establishing more flexible pricing for business customers. There are currently no plans to impose value-added tax on mail carried under the postal universal services obligation.

Risks, page 86

Extending range of services

Deutsche Post has long since emerged as more than a company that simply carries and delivers mail and parcels. We now offer services at every link in the mail value chain. In the dialogue marketing segment, we are seeking to establish a position as a provider of cross-media services. Williams Lea is pursuing a strategy of performing additional services for existing partners and harnessing these credentials to acquire new customers.

> "In Germany, we are the market and quality leader for mail and parcel services. We now face the challenge posed by the market's complete liberalisation, for which the parameters have become clear. We are very well prepared for the change."
>
> **Jürgen Gerdes, MAIL and PARCEL Germany**

Our goal in the parcel business is to be readily accessible anywhere, any time. For this reason, we are expanding the existing network of some 900 Packstations to a total of 2,400 machines by 2010. In the initial phase, we are also installing 1,000 Paketboxes across Germany.

Boosting customer satisfaction

Recent studies have confirmed the success of our strategy: Customers in all segments – private customers, small and large businesses as well as key accounts – have indicated their significantly greater satisfaction year-on-year with the scope and quality of our services.

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Reinforcing position abroad

An opportunity exists for us in the further opening of mail markets abroad as we either enter them for the first time or continue to develop our local business in line with the extent of liberalisation. The timetable agreed in Europe envisages opening up the markets in two steps, in 2011 and 2013. This serves to set the future parameters for our business also in this area.

Making costs more flexible

In recent years, we have made our network costs more flexible, allowing us to adjust them rapidly in response to volume changes. To this end, we have come up with a detailed range of measures. Amongst the requirements are a decrease in the number of mail cargo flights at night and a reduction in outsourced operations, such as transport by lorry. State-of-the-art IT systems enable us to more accurately predict the order intake and optimise capacity utilisation according to traffic volumes. We have also further increased the flexibility of our staff costs in the past two years.

"We are capable of exploiting our opportunities in the international mail business and are favourably positioned in mail markets abroad. The greatest challenge currently lies in the inconsistent timetable for liberalisation within the European Union."

Dr Frank Appel, MAIL International

Revenue and earnings performance

Since the start of the 2007 financial year, we have been reporting on the Parcel Germany unit in the MAIL Division; the prior-year figures were restated accordingly.

The division once again increased its revenues in 2007, pushing them up by 1.3% from €15,290 million to €15,484 million. The fourth quarter, which is traditionally strong, contributed much to this development. We counterbalanced the anticipated decline in domestic mail by growing our business abroad, largely thanks to the first-time inclusion of Williams Lea with effect from 1 April 2006. As in the past, currency effects were marginal in the reporting period. They pushed down revenue by €79 million.

Declining volumes in domestic mail business

Revenue in the Mail Communication Business Unit declined from €6,342 million to €6,070 million. The decrease was less pronounced in the fourth quarter than in the first three, even though parameters remained unchanged. The increasing use of electronic means of communication is resulting in ongoing shrinkage of the market, whilst at the same time competition is becoming more intense. Volumes fell in both the business and the private customer segments because, amongst other things, the period was 1.8 working days shorter than in 2006.

Mail Communication (Deutsche Post AG share)

mail items (millions)	2006	2007	+/– %
Business customer letters	7,011	6,764	–3.5
Private customer letters	1,369	1,348	–1.5
Total	**8,380**	**8,112**	**–3.2**

In the regulated mail sector, we kept our prices stable although the inflation rate underlying the price-cap procedure increased. Furthermore, we lowered our rates for formal delivery orders, secured market shares with competitive products and services, and won back lost customers. We substantially reduced expenses thanks to systematic cost reductions.

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.

Dialogue Marketing increases revenue

In the Dialogue Marketing (formerly Direct Marketing) Business Unit, the trend towards higher-quality, on-target services is continuing. As in the second and third quarters, the volume of advertising supplements rose favourably in the period from October to December 2007. At €2,914 million, the unit's revenue even exceeded the high figure posted in 2006 (€2,875 million).

Dialogue Marketing (Deutsche Post AG share)

mail items (millions)	2006	2007	+/– %
Addressed advertising mail	6,721	6,782	0.9
Unaddressed advertising mail	4,373	4,650	6.3
Total	**11,094**	**11,432**	**3.0**

Stable revenue at Press Services

In the Press Services (formerly Press Distribution) Business Unit, revenue stabilised at the prior-year level, climbing marginally from €820 million to €822 million. Although quantities edged down, both item weights and average prices increased.

Higher volume in German parcel business

Competitive pressure remains tough on the domestic parcel market. We therefore reduced prices in the private customer segment in summer 2006, which slowed down the rate of volume decline from the fourth quarter of 2006. In the reporting period, we achieved a turnaround by enabling volume and revenue to climb again. Despite the price reduction, revenue reached €2,558 million, which was more or less on a par with the previous year's high figure of €2,587 million.

Parcel Germany

items (millions)	2006	2007	+/– %
Business customer parcels	644	646	0.3
Private customer parcels	105	107	1.9
Total	**749**	**753**	**0.5**

Revenue growth in international mail business

Once again, the strongest growth was posted in our international business. Revenue in the Global Mail and Corporate Information Solutions units rose by 14.4%, from €2,917 million to €3,338 million. A key factor was the inclusion of Williams Lea with effect from 1 April 2006, which yielded inorganic effects totalling €338 million. We also recorded organic growth, thanks in part to major customer contracts, including the one concluded by the Williams Lea Group with Reader's Digest. These two business units now account for around one fifth of the division's revenue.

Mail International

mail items (millions)	2006	2007	+/– %
DHL Global Mail	7,124	7,457	4.7

Profit target reached

With a profit from operating activities (EBIT) of €2,003 million, we achieved our announced target of around €2 billion. Alongside higher revenues from the international mail business, improved productivity and lower costs also played a role. Compared with the previous year (€2,094 million), our performance deteriorated by 4.3%, amongst other things because the period was 1.8 working days shorter and due to our price reduction in the Parcel Germany business in 2006. In addition, we reduced the price of orders for the formal delivery of documents in January 2007. The figure for the third quarter of 2006 also contained €66 million attributable primarily to the settlement with the *Bundesanstalt für Post und Telekommunikation* (German federal posts and telecommunications agency), which gave rise to reimbursement of the payments already made for financial years 1997 to 2003. The figure for the fourth quarter of 2007 contained €58 million, chiefly from the adjustment of pension provisions in view of the changed retirement age. Measured against 2006, non-recurring effects thus had only a marginal impact. The return on sales was 12.9%.

EXPRESS

Business units and market positions

Globalisation acts as a mainspring of network expansion

The global express market is growing at an annual average rate of 6% to 8%, as globalisation fuels the expansion of worldwide trade, and more and more shipments need to be handled swiftly and reliably. The demand for time-critical express services is rising as a consequence. With 124,000 employees and a network spanning more than 220 countries and territories, we are exceptionally well positioned to participate in the future growth of this attractive segment.

Having transferred the German parcel business to the MAIL Division with effect from 1 January 2007, we are focusing more acutely on international business. There is a particularly strong rise in demand in this market. According to a recent study by Airbus, the volume of intercontinental air traffic is expected to increase by 6% a year until 2025 and we intend to play a part in this expansion. The groundwork has already been laid. In conjunction with our partner companies, we hold the necessary flying rights as well as takeoff and landing slots and can draw on a fleet of more than 350 aircraft.

In June 2007, we acquired an interest in Polar Air Cargo, a US airline. This gives us cargo capacities on the trans-Pacific routes, where the volume of express business is forecast to increase by some 10% in the coming years. In September, we founded the air freight company AeroLogic together with Lufthansa Cargo. From spring 2009, it will enable us to extend our capacity and to shorten transit times on trade routes between Europe and Asia, improving capacity utilisation and reducing costs through the sharing of aircraft. Air transport on the north Atlantic route is serviced by our own fleet, which we can deploy flexibly. To this end, we ordered six Boeing 767 cargo planes in the reporting period. Here, weight is anticipated to grow by between 4% and 5% in the next few years. Extension of the air freight network is being supported by i capital expenditure on modern ground infrastructure.

Regions and products

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

- Same Day
- Time Definite
- Day Definite

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Standardised, readily accessible offering

DHL Express specialises in carrying goods reliably from door to door, which is facilitated by fixed routes and standardised procedures. Our three product lines – Same Day, Time Definite and Day Definite – satisfy different customer requirements for speed of delivery. In the year under review, we revised and simplified our product range. The gradual roll-out of the new portfolio started on 1 October; it offers customers clearly structured services for international time-definite shipments, which constitute our core business: DHL EXPRESS 9:00, DHL EXPRESS 12:00, and DHL EXPRESS WORLDWIDE.

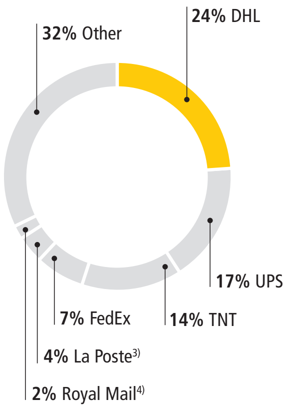
Key accounts with global business interests are to be managed by a new sales unit. Thanks to our enhanced service, we are increasingly establishing ourselves as a partner of enterprises that engage in certain branches of commerce and industry. The principal users of our reliable, time-critical services are the automotive, consumer goods, electronics and life science sectors, in which delivery times are a key driver of success. Our PharmaPlus product, which has been launched in France, is an industry-specific solution for shipping temperature-sensitive goods to numerous countries across the globe.

Through a network of more than 50,000 service points at which items can be dropped off and collected, we are facilitating customers' access to our services. DHL Express is also expanding its range of electronic services. Business customers in Asia, for example, have been able to place shipment collection orders electronically since autumn 2007.

Sustainability, page 76

At a time when the environmental impact of products and services is a live issue, we are thus far the only express service provider to offer – in our GOGREEN range – climate-neutral shipping products.

European international CEP market, 2006[1)]
Market volume: €12.1 billion[2)]



1) Country base: GB, NL, E, F, I, D, S, B, BG, PL.
2) These figures are based on the new definition of all shipments <1,000kg.
3) Including DPD and Geopost.
4) Including GLS.

Sources: Market Research Service Centre, Market Intelligence, 2007

Vigorous growth in Europe

For several years, the European market for courier, express and parcel (CEP) services has been expanding at a rate of around 5% to 6%. We have maintained our leading position in the market, as a stable economic climate has invigorated international business, especially as regards shipments to Eastern Europe and Asia. On many trade lanes, we have grown more strongly than the market.

As the number of reliable day-definite shipments in Europe continues to rise – our sales activities now embrace 29 countries – customer demands are also becoming more rigorous in the time-definite segment. We have expanded this service and can now deliver before midday to 80% (previous year: 74%) of all business addresses in Europe.

We have introduced next-day deliveries for shipments between Europe and the United States. Our customers in major European cities are benefiting from the dense delivery network in the United States, which ensures next-day delivery to 96% of the market. We expect this service enhancement to generate further growth on the trans-Atlantic trade lane.

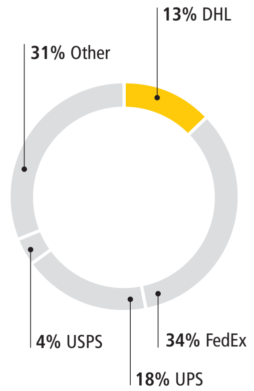
Confirmed as the third major player in the US market

In the Americas, the USA occupies a special position as the largest express market. It is connected to the world's principal trade lanes. Some 47% of all domestic and international DHL shipments are billed in the United States, where half of our 200 largest customers are based. In our global business, offering a high-performance range of products and services here also guarantees business success in other regions.

We operate an air and ground-based transport network, through which we move all domestic and international shipments. The strongest growth was posted by ground-based shipments, where we increased our share of the market. On one of the world's largest trade lanes – between the USA and Canada – we have extended our flight connections. With a share of 13% we have strengthened our position as the third major player in the international CEP market in the United States, despite the difficult economic climate.

We are the market leader in Latin and Central America, where we have extended our offering of time-definite shipments. We now offer guaranteed pre-10:30 delivery, for example, between Mexico and the USA. The growth has been reinforced by capital expenditure on the regional network. In addition, a common accounting and billing platform for almost all the countries has been set up in two locations and has improved internal workflows whilst reducing costs.

US international CEP market, 2006
Market volume: €4.6 billion[1]



1) These figures are estimates for outbound international shipments < 70kg.

Source: Market Research Service Centre in co-operation with Colography Group, 2007

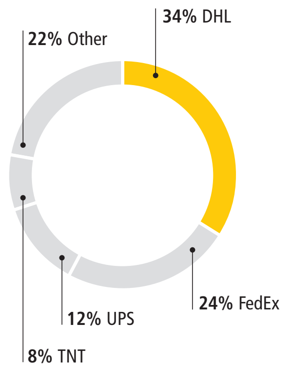
Undisputed market leader in Asia

After years of strong growth, several factors slowed the further expansion of the Asian express market. First, the US economy started to cool down, which significantly hampered exports from Asia. Second, the supply chains that feed internal trade within Asia have changed; and third, more and more goods are being carried by ship. Nonetheless, the region is still regarded as a driver of growth.

DHL Express posted strong operative growth to defend its leading position. In Asia's international express markets – including the region's fourteen largest economies – we hold by far the largest market share (34%). We have made it even easier for customers to access our services by increasing the number of service points and extending the internet-based offering.

In fourteen of the region's countries, we are offering a new service that allows express import shipments to be billed in compliance with the international terms of trade. Our Airport to Door product not only allows business customers to have their shipments delivered with the customary speed and reliability; we also take care of all the customs arrangements on their behalf. It is a service that enables us to address new customer groups and harness fresh growth potential.

Asian international express markets, 2006[1]
Market volume: €5.6 billion[2]



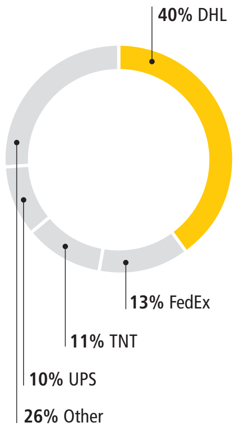
1) Country base: AU, CN, HK, ID, IN, JP, KR, NZ, MY, PH, SG, TH, TW, VN.
2) These figures are based on the new definition of all shipments < 1,000kg.

Sources: AT Kearney, TMS 2007

Emerging markets shaped by strong growth

In the countries of the EEMEA region (Eastern Europe, Middle East and Africa), we recorded strong double-digit growth. We generate around 90% of our trade with business customers operating chiefly in the oil and gas, high-tech, life science and textile industries. In order to sustain growth, we are continuously improving our transit times – in the year under review, we reduced them by one day on more than 200 inter-city routes. We have also enlarged our offering, amongst other things by introducing a new range of hazardous goods transport services.

International express markets EEMEA, 2006[1]
Market volume:[2] €0.8 billion



1) Country base: RU, ZA, SA, BH, IL, UAE, IR, JO, OM, QA, KW, NG, LB.
2) These figures are based on the new definition of all shipments < 1,000kg.

Source: Market Research Service Centre in co-operation with Crescendo Partners, 2007

The Russian express market is exceptionally dynamic. In recent years, growth rates there have reached up to 40%. With a share of 41% of the international and 25% of the domestic market, we are the clear leader in Russia. We intend to continue profiting from this vigorous growth in the future.

Strategy and goals

By establishing a global organisation under uniform management, DHL Express has realigned its strategy. The main purpose is to improve profitability and generate further organic growth. Our goal is to be the preferred provider in the international express business across all products and regions, and we are defining our range of products and services as well as our infrastructure with this aim in mind.

Creating a competitive international network

The core element of our strategy is the international air traffic network. Competitive pricing and a first-rate service on all the major international trade routes is the target. We employ specialist teams to ensure delivery of the best possible performance, profitability and growth on 74 important global trade lanes we have defined.

> "DHL Express ranks amongst the leading operators in its segment. Our strengths lie in a network that spans the globe, motivated employees and satisfied customers. The US business remains the greatest challenge. Although we have established ourselves as the number-three player there, we are currently being hampered by the inhospitable economic climate."
>
> **John P. Mullen, EXPRESS**

Exploiting strong position in domestic markets

We intend to systematically reinforce our leading position in numerous domestic markets. More than 80% of all shipments remain in the country of the sender. We intend to step up the consolidation of domestic and foreign shipments and thus leverage further cost advantages. By way of domestic business, we are also winning international orders from our customers.

Strengthening regional infrastructure

In order to participate in the growth of the express markets, we are creating the necessary ground infrastructure in the different regions. The new European hub at Leipzig/Halle airport represents a major step in this direction. It was integrated into our network in the autumn and will become fully operational in spring 2008. We are also expanding our central Asian hub in Hong Kong and planning a new one in Shanghai.

Making services readily accessible

At the same time, we are developing systems and products for our customers that make it even easier for them to use DHL for their shipping needs – for example, by building electronic interfaces to our customers and integrating these in our workflows, as well as using new technologies to facilitate customers' access to our services.

Revenue and earnings performance

The EXPRESS Division's revenue increased by 3.1% to €13,874 million (restated prior-year figure: €13,463 million) even though business was impacted by negative currency effects (€507 million). Measured in local currencies, we attained organic revenue growth of 6.4%.

Revenue and volumes rise in Europe

In Europe, we achieved gains in both revenue and shipment volumes. Revenue increased by 3.8% to €6,624 million (previous year: €6,381 million); the underlying organic growth for the region reached 4.6%. The domestic business in Central Europe – including the Czech Republic, Hungary, Poland, Slovakia, Slovenia, Romania and Bulgaria – generated the largest advances. We satisfactorily improved our international business in the Benelux countries. The other countries gave rise to moderate revenue growth of 3% to 7%. Exceptions were France and the UK, where revenues remained more or less unchanged year-on-year.

Economic climate hampers US business

Negative currency effects in the amount of €339 million were the main driver of the downturn in revenue in the Americas, which fell by 4.9% year-on-year, from €4,379 million to €4,165 million. In local currency, the organic growth rate was 2.9%. The most notable advance was achieved once again in our Latin American domestic business, especially in Mexico, where the rate reached 20%. Organic growth in the USA was positive at 0.6%. The enhanced performance of our Ground and International products was unable to make good the sharp decline in the Domestic Air business – a pattern which became apparent in the second half-year in particular as economic activity waned.

Double-digit revenue growth in Asia

Revenue in the Asia Pacific region climbed by 5.4% to €2,576 million (previous year: €2,443 million). As in America, changes in the euro exchange rate gave rise to negative currency effects, in this case in the amount of €102 million. Although the rate of growth in the region slowed, we posted organic revenue growth of 9.6%. The principal contributors were China and India.

Growth driven by emerging markets

In the EEMEA region, revenue increased by 29.9%, from €819 million in 2006 to €1,064 million. As in the prior year, the largest gains were recorded in this region, primarily in the Middle East and Russia.

Profit before extraordinary impairment loss on non-current assets in the Americas region increases by 46%

The impairment review conducted at the end of the year led to a €594 million write-down of the EXPRESS non-current assets in the Americas regions. This write-down has no cash impact. It cannot currently be excluded that further write-downs regarding additions to non-current assets might occur. Profit from operating activities (EBIT) before extraordinary impairment loss increased by 46%, from €288 million to €420 million, even after deducting expenses of €76 million for the construction of the new European hub in Leipzig. With one exception, all the regions improved their profitability. In the Americas region, operating business deteriorated as revenue stagnated and the demand shifted in favour of lower-margin products. The return on sales for the EXPRESS business climbed from 2.1% to 3% when measured before the extraordinary impairment loss on non-current assets in the Americas region.

LOGISTICS

Business units and market positions

Number one in air and ocean freight

DHL Global Forwarding is the international market leader in air and ocean freight. As forwarders, we move goods and merchandise on behalf of our customers to an agreed destination within fixed parameters such as transport mode, time and price. We draw upon our geographic coverage and multi-modal capabilities and have specific skills in numerous sectors, including aviation, automotive, chemicals, consumer goods, life sciences, technology and the processing industry to meet the needs of our customers.

Our business is built on sound customer relationships. Working with customers over many years enables us to identify and supply the transport solutions best suited to their needs. We reduce the complexity of our customers' value chains by supplying the information required to determine the appropriate transport route, which also mitigates the risk associated with working in developing markets.

In the air freight business, we are the global market leader, offering direct shipments and air consolidations, including time-defined services that operate on an airport-to-airport or door-to-door basis. In the year under review, the air freight market grew by around 4% (previous year: 5%) according to IATA. Our SeAir product gives customers the best of both worlds: combining the speed of air transport with the lower cost of ocean freight.

In ocean freight, we provide full-container-load and less-than-container-load services as well as non-containerised transport between the world's principal markets. The ocean freight market growth in 2007 was around 10%, fuelled primarily by exports from Asia.

Our forwarding activities are complemented by transport-related, value-added services, such as customs brokerage, cross-docking, pick-up and delivery and cargo insurance to ensure the seamless transfer of cargo across borders. We also advise customers on security issues. Our sophisticated IT systems allow us to track goods in transit at all times, providing customers with maximum visibility and control. On request, we also develop customised programmes such as integrated order management.

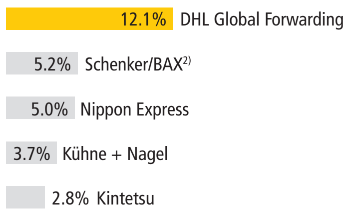
Business units and products

DHL Global Forwarding
- Air freight
- Ocean freight
- Industrial projects

DHL Exel Supply Chain
- Contract logistics
- Ground-based transport
- Value-added services

DHL Freight
- Full truckload
- Less than truckload
- Customs brokerage
- Intermodal

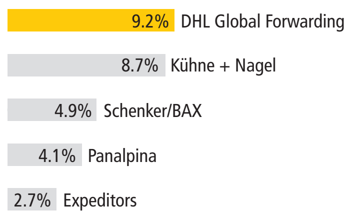
Market shares in air freight, 2006
Market volume: €16.4 billion[1)]



1) Market volume and market share data are based on IATA statistics, which do not correspond to companies' published revenues and cannot be compared with the prior-year figure.
2) Pro forma, BAX Global revenue missing in IATA data for some countries.

Sources: IATA/CASS, company estimates and own sources, 2006

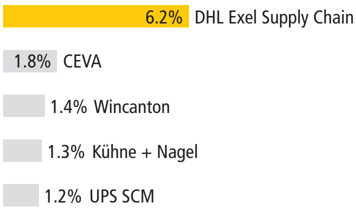
Market shares in ocean freight, 2006
Market volume for forwarding: 26.2 million TEUs[1)]



1) Estimated share of overall market controlled by forwarders.

Sources: Global Insight, annual reports, press releases, company estimates, 2006

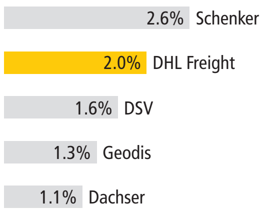
Market shares in contract logistics, 2006
Market volume: €192.7 billion[1]



1) Company estimates.

Sources: annual reports, press releases, company websites, Transport Intelligence, analysts' reports

Market shares in European road transport, 2006
Market volume: €157.2 billion[1]



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

Sources: MRSC freight reports 2006 and 2007, Eurostat 2006, annual reports, press releases, company websites, estimates

Global market leader in contract logistics

Our DHL Exel Supply Chain Business Unit remains the world leader in contract logistics. Within this area of our business we provide warehousing and ground-based transport services plus specialist sector-based value-added solutions along the entire supply chain. In the year under review, we renewed the majority of existing agreements and gained new ones with existing and new customers in all regions and sectors.

Our teams not only have expert knowledge of logistics but also have specialist knowledge and many years' experience in our key sectors including automotive, life sciences, technology, fast-moving consumer goods as well as retail and fashion. Within the business we are now developing and strengthening specific sector-based solutions to meet the needs of our customers precisely. These have included strengthening our offering in packaging and contract manufacturing and offering a consultative design element as well as implementing and operating supply chains for our customers.

Number two in European freight business

DHL Freight operated as an independent business unit in the LOGISTICS Division for the first full year in 2007. We run a comprehensive less-than-truckload network covering Europe, Russia and traffic into the Middle East with 160 terminals. Our strong full-truckload business is complemented by a fast growing intermodal service. Additionally we offer a comprehensive range of customs services. In the year 2007 the European road transport market grew at around 3.5% with the international market growing faster (4.5%) than the domestic market (3.2%).

The business model of DHL Freight is asset-light. Trucking and a high percentage of cartage and handling is outsourced. We work closely together with Parcel Germany, EXPRESS and the other logistics business units by sharing IT systems, teaming up for joint product offerings and delivering reliable transport solutions to all of these units – thus leveraging the purchasing power and competence of DHL Freight for the whole Group.

Strategy and goals

i Strategy and goals, page 30

In 2007, customers have benefited from our integrated approach to the supply chain. Uniquely, we can now offer a logistics and express service with the greatest global reach. We are establishing improvement targets for each business unit and function, working in parallel with the recently launched i capital markets programme.

Our customers regularly highlight the need for proactivity and innovation and we have addressed this need in several ways. We have, for example, added to our capabilities within the life science arena; similarly, retail customers have benefited from the introduction of offerings such as demand planning and a strengthening of our co-pack manufacturing services to consumer customers. We have also developed global products which span several of our business units such as service parts logistics and e-fulfilment with the expectation that these will continue to develop in the years to come.

We are focusing on organic growth through three distinct programmes: We are reinforcing our presence in regions whose economies are expanding rapidly, such as Central and Eastern Europe and areas of South America and Asia; we are focusing on key customer accounts where we are looking to increase our share of outsourcing; and finally, we are focusing capital expenditure on innovative products and process harmonisation.

"Our logistics business is well positioned in key global markets to deliver organic growth. We have developed our business to seize the opportunities brought about by growing consumer demands, complex modern supply chains and the ongoing trend of outsourcing. We are also focusing on people development to add value through proactive delivery of solutions and collaboration with other members of the DHL family." **Dr Frank Appel, LOGISTICS**

Roadmap for the future

In our drive to continue creating added value for customers and shareholders, we have adopted a Roadmap for Logistics setting out our vision – which is to lead the industry into a new era by 2010: We intend to set the pace in innovation, quality and productivity whilst at the same time offering our employees fresh opportunities. We will also be seeking to encourage the industry to behave even more responsibly towards society and the environment. In pursuing these goals, we will make the most of our collective passion, experience and scale. We aim to build the best logistics company in the world and to be the first choice for customers and employees alike. There continues to be increased collaboration across all DHL business units, with our customers benefiting from our ability to bundle together products and services from one provider to create seamless support for their critical business needs.

Revenue and earnings performance

In the LOGISTICS Division, the prior-year figures were restated because we transferred our European overland transport business from the EXPRESS Division to the LOGISTICS Division under the name DHL Freight on 1 July 2006.

The growth, performance and integration of our logistics business developed favourably in 2007. Revenue increased by 5.5% to €25,739 million (previous year: €24,405 million). The total was impaired by negative currency effects of €605 million. Inorganic influences, including the disposal of Vfw AG, reduced revenue by a further €270 million. Organic revenue growth came to 9.1% as a result, amongst others, of the ten-year deal with the NHS in the UK.

Volume growth in air and ocean freight

DHL Global Forwarding generated revenue of €9,410 million (previous year: €9,271 million). This figure was affected adversely by currency effects totalling €283 million; after adjusting for these effects, revenue grew by 4.6% year-on-year. This development only partly reflects the higher growth in volumes because our air freight activities also recorded lower freight rates.

Air freight volumes rose by 7.3% in 2007 above market growth of only around 4%. Revenue decreased slightly due to negative impacts from currency effects and lower freight rates on key trade lanes. Our business performed well, above all in Europe, the Middle East and Africa.

DHL Global Forwarding: revenue by segment

€m	2006	2007	+/– %
Air freight	4,956	4,809	–3.0
Ocean freight	2,657	3,014	13.4
Other	1,658	1,587	–4.3
Total	**9,271**	**9,410**	**1.5**

DHL Global Forwarding: volumes

thousands		2006	2007	+/– %
Air freight	Tonnage	4,110	4,409	7.3
Ocean freight	TEUs[1]	2,400	2,764	15.2

1) Twenty-foot equivalent units.

Ocean freight volumes grew by 15.2% in 2007. Here also, we greatly outperformed the market, which grew only by around 10%. Our revenue growth came to 13.4%. Latin America registered substantial volume and revenue increases and our business in the Middle East, in Africa and in Europe also performed well. Moreover, growth in industrial projects was particularly strong.

DHL Exel Supply Chain generates new business

Revenue generated by DHL Exel Supply Chain rose by 9.2% to €13,099 million year-on-year, driven by the ten-year deal with the NHS in the UK as well as higher operational revenue in all regions. In the year under review, we generated new business of around €1 billion in annualised revenue.

DHL Freight grows well above market

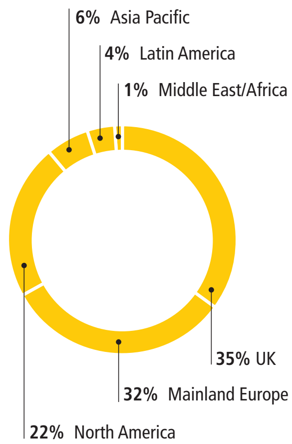
In 2007, DHL Freight reported revenue of €3,646 million (previous year: €3,712 million). The business shows growth well above market with a particularly strong performance in Central Eastern Europe, Benelux and Germany. Adjusted for inorganic effects, we grew by 6.2% as inter-company relations were not reported in 2006.

Good performance improves earnings

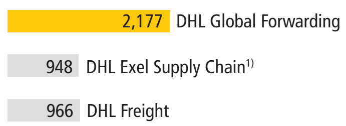
Profit from operating activities (EBIT) was €957 million in the reporting period (previous year: €751 million). The 27.4% increase was influenced by the sale of Vfw AG in the first quarter as well as real estate disposals in the last quarter. Allowing for these effects and negative currency effects, our performance here was very positive. Return on sales rose from 3.1% to 3.7%.

The integration of Exel and DHL was successfully completed by the end of the year 2007, delivering synergies in line with expectations.

DHL Exel Supply Chain: revenue by regional split, 2007

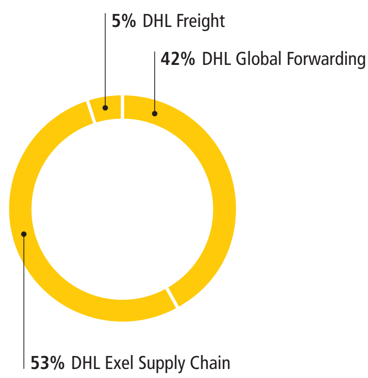


Gross profit by business unit, 2007
€m



1) A different definition of gross profit applies to DHL Exel Supply Chain.

EBIT by business unit, 2007



FINANCIAL SERVICES

Business units and market positions

Postbank business units and products

Retail Banking
- Current account services
- Savings and mutual funds
- Consumer loans
- Mortgages
- Insurance products

Corporate Banking
- Payment transaction solutions
- Commercial real estate finance
- Corporate loans
- Leasing and factoring

Transaction Banking
- Payment transaction processing

Financial Markets
- Liquidity management
- Risk management
- Asset/liability management
- Asset management

Germany's largest single retail bank

Postbank's highly diverse sales channels make it easily accessible to customers at all times – at its branches, through its mobile sales force, online or by telephone. It has the most extensive branch network of any bank in Germany, with its own 855 branches offering Postbank products along with expert advice on financial services. These branches are complemented by several thousand Deutsche Post outlets where selected Postbank services are available. Over 4,200 independent agents within Postbank Finanzberatung AG make up the Postbank mobile sales force and specialise in private mortgage lending, asset accumulation and retirement pension products.

Postbank's wide range of standardised banking products is designed to meet the typical needs of private and business customers. Along with traditional savings and current account offerings, these primarily include private mortgage lending and home savings products but personal loans, securities and pension and insurance products are also gaining in importance. At the same time, Postbank is Germany's largest issuer of credit and debit cards. It holds a leading position in German online and telephone banking. Postbank online customers now have 2.8 million current accounts and 590,000 brokerage accounts. Some 3.7 million customers use telephone banking.

Postbank plans in future to restrict its activities as a "banking service producer" to areas where it can achieve economies of scale and has restructured its insurance business accordingly. The insurance subsidiaries have been sold to the Talanx Group, with which Postbank has entered into a long-term marketing alliance in life and accident insurance. The company has also further boosted its sales capabilities, for example by co-operating with Tchibo and HUK-COBURG. Both companies offer their customers basic Postbank products such as current and savings accounts.

The German retail banking market remains fiercely competitive. Postbank has successfully held its own here as Germany's largest single retail bank. In terms of customer numbers, it's market share increased to a pleasing 9.5% (previous year: 8.8%). In the savings segment, where the total volume of deposits came to €43.9 billion, Bundesbank statistics show an increase in Postbank's market share from 7.4% to 8.1% at the end of 2007. The market share of the €16.6 billion in home saving deposits remained stable at 13.6%. Postbank comfortably achieved its target of attracting a million new customers; its market share in business with new customers came to 12% (previous year: 13%). In new current account business, Postbank had a record year despite fierce competition, with 587,000 consumer accounts opened between January and December (previous year: 469,000).

Postbank further improved its volumes in the private mortgage business from €62.3 billion to €68.0 billion. Due primarily to the VAT increase and the abolition of the home owner's allowance, the operating environment for the private mortgage lending business was marked by a strong decline in demand. Despite low demand and strong competition, Postbank, at 8.6%, almost reached its goal of a more than 10% increase in the volume of self-brokered private mortgage loans.

Products for corporate customers
The Corporate Banking business primarily involves products related to payment transactions and commercial real estate finance. Alongside an investment credit product which it had already successfully launched, Postbank now also arranges development loans from major public-sector development agencies. It has extensive expertise in commercial real estate finance, which it also employs in foreign markets. Thanks to a highly selective lending policy, Postbank has a favourable risk profile.

Expert in transaction banking
In addition to handling its own transactions, Postbank provides payment transaction services for other banks including Deutsche Bank, Dresdner Bank and, starting in 2007, HypoVereinsbank. Postbank is leveraging its traditional strength in transaction banking to join forces with BHW in building an efficient platform for processing building loans.

Financial asset management
Postbank invests its liquid funds in financial markets. Its Financial Markets unit is acknowledged as an efficient service provider in managing interest rate, currency and share price risk.

Strategy and goals

Expanding business with existing customers
Postbank plans to provide its approximately 14.5 million customers with even better service and innovative products while further improving processes and achieving cost leadership. In sales, it will focus more intensively on its 4.6 million-strong base of private customers who do most of their banking through Postbank. It aims to increase this customer base to 5.2 million by 2010. At the same time, Postbank aims to maximise potential in its existing customer base by cross-selling and, ultimately, to gain market share in all important product areas through above-average growth with both new and existing customers. All sales channels will be expanded, with the priority on the two most important: mobile sales as well as sales through branches and retail outlets. Progress on this front will be communicated on a regular basis.

Specialising in finance management

Postbank currently serves some 30,000 corporate customers, primarily with a wide range of payment transaction services. In addition, it has its sights on up to 3,000 customers for whom it aims to become one of their five preferred banks. Postbank also plans to raise its profile as a specialist for finance management, expanding its loan portfolio with small to medium-sized businesses from €2.8 billion in 2006 to €5 billion in future. It will simultaneously embark on targeted, risk-controlled expansion in the profitable commercial real estate finance segment, with the main focus on Europe. Income from corporate banking is targeted to rise from €382 million today to €500 million in 2010.

"Postbank aims to continue expanding in all its business units, based on its unique platform in the market. In particular, we intend to maximise the great potential in our customer base with innovative products and a clear sales strategy. The greatest challenge continues to be competition for private customers."

Dr Wolfgang Klein, FINANCIAL SERVICES

Expansion in transaction banking

Postbank aims to expand the European activities of its Transaction Banking Business Unit. This requires capital spending that will be shared with strategic partners. Postbank will also extend its capabilities in loan processing by employing, amongst other resources, a multi-client platform for handling building loans.

Developing investment products

The Financial Markets Business Unit – Postbank's innovation driver – will focus in future on developing products for private and corporate customers.

Revenue and earnings performance

Postbank reports further improved profit

During the year under review, the division generated revenue of €10,426 million, which exceeded the previous year's figure of €9,593 million by 8.7%. In the banking business, income from interest, fees and commissions and net trading income are equivalent to an industrial company's revenue.

The division also increased its profit from operating activities (EBIT) again. At €1,076 million, it surpassed the previous year's total of €1,004 million by 7.2%. This contained the net effect from the disposal of Postbank's insurance companies, after allowing for transaction costs, for provisioning in the investment portfolio, impairment losses in connection with the sub-prime crisis, extraordinary effects in administrative expenses as well as non-recurring effects in net interest income, which, on balance, reduced EBIT by €25 million.

Postbank raised its balance sheet-related revenues and net fee and commission income by 3.3% year-on-year, from €4,117 million to €4,253 million. The balance sheet-related revenues – net interest income, net trading income and net income from investment securities – increased by 4.2%, from €2,710 million to €2,824 million. Despite an inhospitable interest rate climate, net interest income rose by 4.0% year-on-year to €2,240 million. At €294 million, net income from investment securities was 0.7% up on the previous year. Net trading income climbed by 9.8% to €290 million.

Net fee and commission income also increased, rising by 1.6% to €1,429 million. The portion of total income attributable to net fee and commission income fell slightly, from 34.2% to 33.6%.

At 0.3%, the allowance for losses on loans and advances rose less sharply than the volume of customer loans. Administrative expenses edged up by 1.6% to €2,856 million.

Net other operating income and expenses amounted to €–55 million (previous year: €–27 million). Postbank's return on equity (ROE) before taxes improved from 18.9% to 19.3%. The cost/income ratio also developed favourably, falling from 66.7% to 64.8% in the traditional banking business. Including transaction banking, which is dominated by industrial processing, it came to 67.2% (previous year: 68.3%). As at 31 December 2007 the tier 1 ratio, calculated in accordance with the *Solvabilitätsverordnung* (German solvency regulation) but excluding the initial restrictions pursuant to Section 339 of the solvency regulation, came to 6.9% at 31 December 2007 compared with the previous year (6.6% according to own calculations).

Deutsche Postbank AG provides details of its business development in 2007 in its own annual report, published on 5 March 2008.

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SERVICES

Our SERVICES Division bundles Group-wide internal services, with the aim of enhancing service quality and cutting costs. It includes Global Business Services, the retail outlets of Deutsche Post AG and the Corporate Centre containing the Group's central functions. It also includes the non-operating income and expenses of Deutsche Post AG. We report the services performed by internal service providers as internal revenue.

Global Business Services – established internal service providers

Global Business Services provide services for all divisions, with some 13,000 employees supporting the Group in the areas of Legal Services, Insurance, Procurement, Finance Operations, Information Technology, Real Estate, Fleet Management, In-house Consulting, Human Resources Operations and Innovation Management.

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We successfully generated value in 2007. Our Procurement unit attained a top score in an external comparative study, and another comparative study testified to the high level of effectiveness and exemplary cost structure in Legal Services. Human Resources Operations is set to provide payroll accounting for employees in the various regions along with centralised human resources management and made a start in 2007 with Germany, Asia and the United States.

Higher quality at lower costs

We significantly cut costs and enhanced quality in many areas, with both kinds of improvement benefiting the entire Group. Procurement achieved major savings for the third year running, whilst a decrease of more than €50 million in insurance costs was secured by taking policies that were previously held externally and combining them in-house. Substantial real estate costs savings were made by reducing vacancy rates. All service units are highly cost-aware in their work and take care when purchasing services on a large scale to ensure that costs rise in less than direct proportion to procurement volume. A customer-supplier relationship has become established between Global Business Services and its internal business partners. Service quality, scope and price are set a year at a time in service level agreements. This assures planning confidence and transparency for both sides.

Revenue and earnings performance

In the 2007 financial year, revenue increased by 7.1% to €2,357 million (previous year: €2,201 million). The loss from operating activities (EBIT) totalled €660 million (previous year: €229 million). The change is chiefly attributable to the income of €276 million generated by calling the exchangeable bond on Postbank shares in the third quarter of 2006. It further stems from net non-recurring income of €99 million in the first quarter of 2006 arising from the favourable outcome of arbitration proceedings involving Deutsche Telekom (€89 million) and the disposal of McPaper AG, Berlin (€10 million).