

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.

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.



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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:

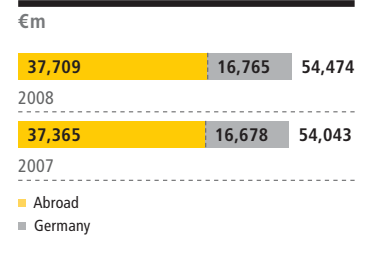
- FC (Flying Cargo) International Transportation Ltd., an Israeli company domiciled in Tel Aviv, was included for the first time in profit and loss. We purchased all shares in the company on 31 December 2007.
- In April 2008, we increased our 66% stake in Williams Lea to 96%. The Group had made an unconditional 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.

→ Note 3

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 from continuing operations



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 totaling €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.

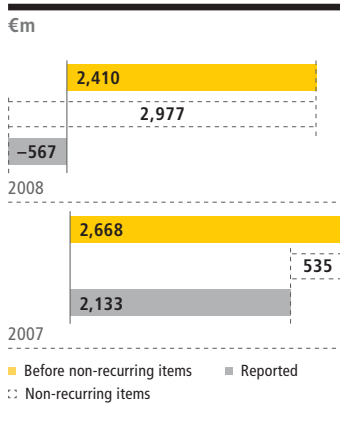
→ Note 15

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



→ Note 19

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.

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

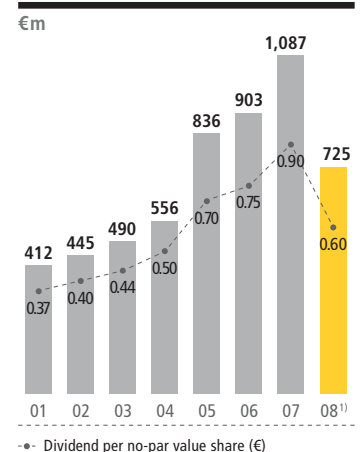
Consolidated net profit declines significantly

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.

 investors.dpwn.com

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.


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.

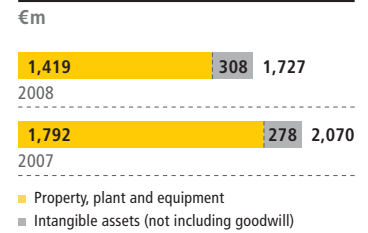
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Capital expenditure fell considerably below the prior-year level

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



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

2,448

2008

1,498

2007

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%.

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.

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)	