Divisions

Overview

EBIT and revenue by operating division

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

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

MAIL

Business units and market positions

We deliver Germany's mail

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

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

Advertising with Deutsche Post avoids wastage

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

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

Business units and products

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

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

Press Services
- Distribution of newspapers and magazines
- Special services

Parcel Germany
- Parcel products
- Special services
- Packstations

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

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

Pension Service
- Data administration
- Payments

Market share in mail communications in Germany, 2008

Market volume: 9.3 billion items

87.7% Deutsche Post Competition **12.3%**

Source: company estimates.

Market share in dialogue marketing, 2008

Market volume: €20.4 billion

13.4% Deutsche Post Competition **86.6%**

Source: company estimates.

Market share in press service, 2008

Market volume: 17.8 billion items

11.4% Deutsche Post Competition **88.6%**

Source: company estimates.

Market volume in parcels, 2008

Market volume: approx. €6.5 billion

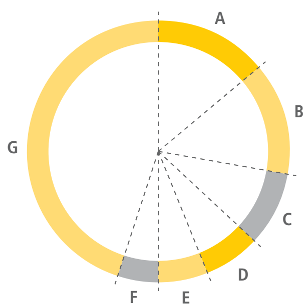
38% DHL Competition **62%**

Source: company estimates.

Cross-border mail market, 2007

Market volume: €10.4 billion[1)]

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



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

Daily newspaper subscriptions

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

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

E-commerce responsible for growing parcel market

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

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

Active in foreign markets

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

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

Strategy and goals

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

Extending our range of services

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

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

Assuring high quality

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

Page 81

Engaging in foreign markets

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

Making prices and costs more flexible

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

Risks, page 87

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

Revenue and earnings performance

Revenue slightly under prior-year level

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

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

Deutsche Post prevails in liberalised German mail market

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

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

Mail Communication: sales

mail items (millions)

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

Limited advertising expenditure

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

Dialogue Marketing: volumes

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

Stable revenue for Press Services

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

E-commerce drives increase in parcels

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

Parcel Germany: sales

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

Largest network of fixed-location retail outlets in Germany

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

Global Mail suffers from currency effects

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

Mail International: volumes

mail items (millions)

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

Non-recurring items increase profit

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

EXPRESS

Business units and market positions

Network for time-critical shipments spans the globe

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

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

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

Regions and products

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

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

Page 82

Standardised products and services meet all customer needs

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

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

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

Globalisation still driving growth

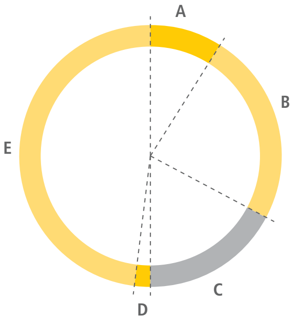
Historically, the global express market has grown at an average of 6% to 8% each year. Although growth has now slowed notably in line with the general economic downturn – decreasing from 3.7% in 2007 to 2.8% in 2008 – our business is still driven by globalisation. We maintain a strong position in all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

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

US international CEP market, 2007

Market volume: €7.5 billion[1]

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



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

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

Exit from US domestic express market

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

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

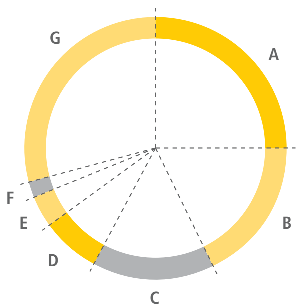
In November 2008, we decided to exit the US domestic express business by the beginning of 2009. We are re-focusing fully on our core competency – the international express business. In the future, the United States will remain an integral part of our global network, the scope and capacity of which guarantee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

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

European international CEP market, 2007[1]

Market volume: €15.3 billion[2]

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



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

Slowdown in Europe intensified

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

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

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

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

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

Undisputed market leader in Asia

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

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

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

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

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

Emerging markets shaped by strong growth

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

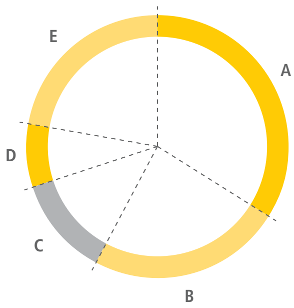
We continued to expand our service in 2008, particularly in Russia. We now offer overnight delivery to Moscow and St. Petersburg from all of Europe's major cities and economic centres.

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

Asian international express markets, 2007 1)

Market volume: €5.9 billion 2)

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



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

Source: AT Kearney, TMS 2008.

Strategy and goals

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

Maintaining leading position in the international express market

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

Concentrating on the international express business in the USA

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

Increasing presence in growth markets

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

Managing global network costs

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

Revenue and earnings performance

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

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

EXPRESS: revenue by product

€m per day

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

EXPRESS: volumes by product

thousands of items per day

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

Revenue in Europe at prior-year level

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

Americas impacted by economy and exit from domestic US market

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

Growth continues in the Asia Pacific region

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

Double-digit revenue growth in the emerging markets

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

Realignment of US business impacts earnings

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

GLOBAL FORWARDING/FREIGHT

Business units and market positions

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

Business units and products

Global Forwarding
- Air freight
- Ocean freight
- Industrial projects

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

We create global transport solutions

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

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

World market leader in air and ocean freight

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

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

Market shares, top five: air freight 2007

Market volume: 20.9 million tonnes[1]

DHL	11.9%
DB Schenker	6.2%
Panalpina	4.5%
Kuehne + Nagel	3.9%
Kintetsu World Express	2.3%

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

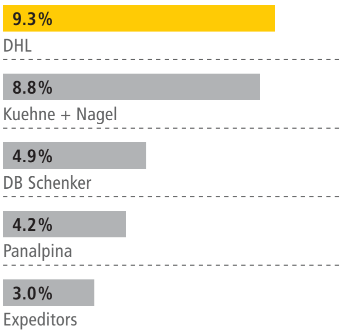
Source: Global Insight, Global Trade Navigator, annual reports, press releases and company estimates.

Presence expanded in growing air freight markets

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

Market shares, top five: ocean freight 2007

Market volume for forwarding: 29.6 million TEU[1]



1) Estimated share of overall market controlled by forwarders.

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

Ocean freight market growing steadily

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

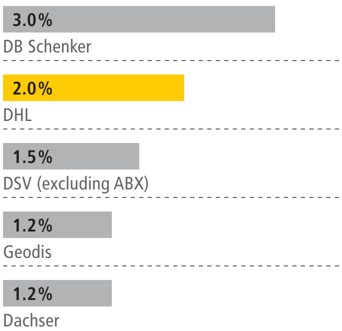
New products combine modes of transport

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

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

Market shares, top five: European road transport 2007

Market volume: €163.7 billion[1]



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

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

Number two in European overland transport

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

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

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

Strategy and goals

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

❶ **Presence in growth markets.** We are increasing our presence in Asia, on the rapidly growing Indian subcontinent, in the Middle East and in Africa. We plan to make targeted investments in customer relationships in order to expand, for example, our overland transport business within the Middle East and in Asia.

❷ **Industry-specific solutions.** We develop industry-specific solutions. For the pharmaceuticals industry, for instance, we developed DHL ColdChain, a temperature-controlled pallet network for transporting sensitive products within Europe safely and efficiently.

❸ **Modern infrastructure.** We are harmonising our IT and making substantial investments in a networked infrastructure. In November 2008, we opened the largest transhipment centre of its kind in the Middle East on 80,000 m² in Jebel Ali in the free-trade zone of Dubai. Our customers use the centre as an intermediate storage point when transporting goods between Europe, Africa and Asia.

Revenue and earnings performance

Satisfactory organic growth for freight forwarding business

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

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

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

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

Global Forwarding: revenue by segment

€m

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

Global Forwarding: volumes

thousands

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

1) Twenty-foot equivalent units.

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

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

European overland transport business performs stably

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

Calculation of cash conversion rate

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

EBIT before non-recurring items rises 6%

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

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

SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS

Business units and market positions

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

Business units and products

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

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

Customised logistics solutions with sector focus

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

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

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

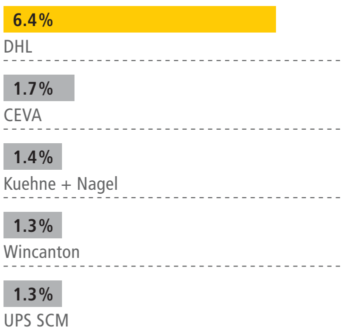
The logistical challenge of the technology sector lies in ever shorter product life cycles, which necessitate quick changes in production and distribution locations. Our offering comprises inbound to manufacturing logistics, distribution and warehousing, assembly and returns logistics. We also generate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

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

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

Market shares, top five: contract logistics 2007

Market volume: €206 billion[1)]



1) Company estimates based on Datamonitor input.

Global market leader in supply chain solutions

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

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

Strategy and goals

Targeted and profitable growth

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

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

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

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

Revenue and earnings performance

Rise in adjusted revenue

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

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

More than 90% contract renewal rate

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

Earnings impacted by non-recurring items

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

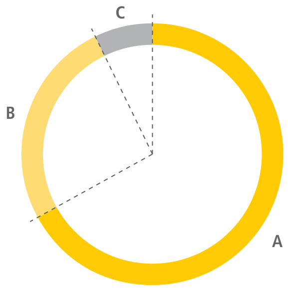
These non-recurring items, along with the sale of Vfw AG in 2007 and negative currency effects, led to a decrease in the division's organic EBIT of 5.5%, particularly as a consequence of the negative impact on the Corporate Information Solution's business in the financial sector. By contrast, the Supply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

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

Supply Chain 2008: revenue by region

Total revenue: €12,469 million

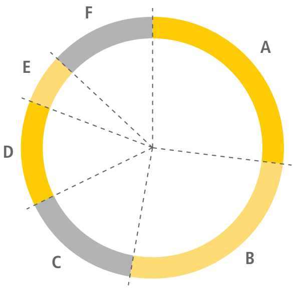
A	67%	Europe/Middle East/Africa
B	26%	Americas
C	7%	Asia Pacific



Supply Chain 2008: revenue by sector

Total revenue: €12,469 million

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



Discontinued operations

Revenue and earnings performance

Changed reporting structure

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

Financial crisis hampers Postbank earnings

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

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

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

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

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

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

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

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