

Notes

Notes to the Consolidated Financial Statements of Deutsche Post AG

1 Basis of accounting

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

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

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

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

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

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

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

2 Consolidated group

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

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

Consolidated group

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

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

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

Companies included for the first time

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

EXPRESS

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

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

Net assets

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

1) Corresponds to the carrying amount.

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

GLOBAL FORWARDING/FREIGHT

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

Measurement of goodwill

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

Net assets

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

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

SUPPLY CHAIN/CIS

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

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

Measurement of goodwill

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

Net assets

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

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

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

Insignificant acquisitions

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

Insignificant acquisitions

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

¹⁾ Corresponds to the carrying amount.

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

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

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

Disposal and deconsolidation effects of fully consolidated companies

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

Joint ventures

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

As at 31 December

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

¹⁾ Proportionate amounts.

²⁾ Revenue excluding internal revenue.

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

3 Significant transactions

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

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

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

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

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

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

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

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

Significant non-recurring items

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

4 New developments in international accounting under IFRS

The following standards, changes to standards and interpretations are required to be applied on or after 1 January 2008:

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

New accounting pronouncements adopted by the European Union

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

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

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

IFRIC 11 (IFRS 2 Group and Treasury Share Transactions) clarifies the issue of how IFRS 2 should be applied to share-based payment arrangements involving the grant of the entity's own equity instruments or equity instruments of another entity within the same group. The Interpretation is effective for financial years beginning on or after 1 March 2007. As part of the endorsement by the European Union, application of the Interpretation is not mandatory as of the

date of initial application envisaged by the IASB, but only starting in financial year 2009. The first-time application of IFRIC 11 is not expected to have any significant effect on the consolidated financial statements.

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

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

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

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

In May 2008, the IASB issued amendments relating to IFRS 1 (First-Time Adoption of International Financial Reporting Standards) and to IAS 27 (Consolidated and Separate Financial Statements). The amendment to IFRS 1 provides that, in the IFRS opening balance sheet of its separate financial statements, an entity may report the carrying amount of its investment in subsidiaries, jointly controlled entities and associates either at the fair value of the investment at the date of transition to IFRS or at its carrying amount at that date resulting from previously applied accounting principles, instead of at cost. The amendments to IAS 27 remove the definition of the cost

method. The requirement to recognise distributions of profits arising before the date of acquisition of the subsidiary as a reduction of the cost of the investment therefore no longer applies. In addition, when a new parent company is formed as a result of a reorganisation, the cost of its investment in the previous parent company is measured at the carrying amount of its share of the equity items shown in the separate financial statements of the previous parent company at the date of the reorganisation. The amendments must be applied prospectively for financial years beginning on or after 1 January 2009. The amendments will not affect the consolidated financial statements since the Group is not applying the requirements of IFRS for the first time.

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

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

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

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

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

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

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

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

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

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

5 Restatements of prior-period amounts

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

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

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

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

Restatements of prior-year figures

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

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

6 Currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros (€) in accordance with IAS 21 using the functional currency method. The functional currency of foreign companies is determined by the primary economic environment in which they mainly generate and use cash. Within the Group, the functional currency is predominantly the local currency. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rates, whilst income and

expenses are generally translated at the monthly closing rates. The resulting currency translation differences are taken directly to equity. In financial year 2008, currency translation differences amounting to €500 million (previous year: €446 million) were recognised directly in equity (see also the statement of changes in equity).

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

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

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

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

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

7 Accounting policies

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

Revenue and expense recognition

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

Intangible assets

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

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

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

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

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

Property, plant and equipment

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

Useful lives

years	2007	2008
Buildings	5 to 50	5 to 50
Technical equipment and machinery	3 to 10	3 to 10
Passenger vehicles	4 to 6	4 to 6
Trucks	5 to 8	5 to 8
Aircraft	15 to 20	15 to 20
Other vehicles	3 to 8	3 to 8
IT systems	3 to 8	3 to 8
Other operating and office equipment	3 to 10	3 to 10

Impairment

At each balance sheet date, the carrying amounts of intangible assets, property, plant and equipment, and investment property are reviewed for indications of impairment. If there are any such indications, an impairment test must be carried out. For this purpose, the recoverable amount of the relevant asset is determined and compared with its carrying amount.

In accordance with IAS 36, the recoverable amount is the asset's fair value less costs to sell or its value in use, whichever is higher. The value in use is the present value of the pre-tax cash flows expected to be derived from the asset in future. The discount rate used is a pre-tax rate reflecting current market conditions. If the

recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets (CGU) to which the asset in question can be allocated and which generates independent cash flows. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in respect of the asset. If, after an impairment loss has been recognised, a higher recoverable amount is determined for the asset or the CGU at a later date, the impairment loss is reversed up to a carrying amount which does not exceed the recoverable amount. The increased carrying amount attributable to the reversal of the impairment loss is limited to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised in the past. The reversal of the impairment loss is recognised in the income statement. Impairment losses recognised in respect of goodwill may not be reversed.

Since January 2005, goodwill has been accounted for using the "impairment-only approach" in accordance with IFRS 3. This stipulates that goodwill must be subsequently measured at cost, less any cumulative adjustments from impairment losses. Purchased goodwill is therefore no longer amortised and instead is tested for impairment annually in accordance with IAS 36, regardless of whether any indication of possible impairment exists, as in the case of intangible assets with an indefinite useful life. In addition, the obligation remains to conduct an impairment test if there is any indication of impairment. Goodwill resulting from company acquisitions is allocated to the identifiable groups of assets (CGU or groups of CGU) that are expected to benefit from the synergies of the acquisition. These groups represent the lowest reporting level at which the goodwill is monitored for internal management purposes. The carrying amount of a CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Where impairment losses are recognised in connection with CGU to which goodwill has been allocated, the existing carrying amount of the goodwill is reduced first. If the amount of the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated to the remaining non-current assets in the CGU.

Finance leases

A lease financing transaction is an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, beneficial ownership of leased assets is attributed to the lessee if the lessee bears substantially all the risk and rewards incident to ownership of the leased asset. To the extent that beneficial ownership is attributable to the Group, the asset is capitalised at the date on which use starts, either at fair value or at the present value of the minimum lease payments if this is less than the fair value. A lease liability in the same amount is recognised under non-current liabilities. The lease is measured subsequently at amortised cost using the effective interest method. The depreciation methods and estimated useful lives correspond to those of comparable purchased assets.

Operating leases

For operating leases, the Group as the lessor reports the leased asset at amortised cost as an asset under property, plant and equipment. The lease payments recognised in the period are shown under other operating income. As a lessee, the lease payments made are recognised as lease expense under materials expense.

Investments in associates

Investments in associates are carried at equity in accordance with IAS 28 (Accounting for Investments in Associates). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investment is increased or reduced to reflect the share of earnings, dividends distributed and other changes in the equity of the associates attributable to the investments of Deutsche Post AG or its consolidated subsidiaries. The goodwill contained in the carrying amounts of the investments is accounted for in accordance with IFRS 3. Investments in companies accounted for using the equity method are written down as impaired if the recoverable amount falls below the carrying amount.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and primary and derivative financial assets held for trading. Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity. These mainly comprise trade payables, liabilities to banks, liabilities arising from bonds and finance leases, and derivative financial liabilities.

Fair value option

The Group applied the fair value option for the first time for financial year 2006. Under this option, financial assets or financial liabilities may be measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). The Group made use of the option in order to avoid accounting mismatches. The Deutsche Postbank Group applies the fair value option solely in relation to specific building finance loan portfolios that are hedged by interest rate derivatives. The use of the fair value option avoids an accounting mismatch that arises from reporting the loans at amortised cost whilst changes in the fair value of the hedging instruments are recognised in profit or loss. In another case, the fair value option has been applied in order to neutralise the effects on the income statement of a liability indexed to share prices that is linked to financial instruments which would originally have been classified as available for sale. The cash flows arising from the contract vary depending on the movement in the index. Under the terms of IAS 39, changes in the fair value of the related financial assets would have had to be reported directly in equity. As a result of applying the fair value option, the effects of changes in the fair value of both financial instruments offset each other in the income statement.

Financial assets

Financial assets are accounted for in accordance with the provisions of IAS 39 which distinguishes between four categories of financial instruments.

Available-for-sale financial instruments are non-derivative financial assets and are carried at their fair value where this can be measured reliably. If a fair value cannot be determined, they are carried at cost. Changes in fair value between reporting dates are generally recognised in the revaluation reserve in equity. The reserve is reversed to income either upon disposal or if the fair value falls below cost more than temporarily. If, at a subsequent balance sheet date, the fair value has increased objectively as a result of events occurring after the impairment loss was recognised, the impairment loss is reversed in the appropriate amount. Impairment losses recognised in respect of unquoted equity instruments may not be reversed. Available-for-sale financial instruments are allocated to non-current assets unless the intention is to dispose of them within 12 months of the balance sheet date. In particular, investments in unconsolidated subsidiaries, financial instruments and other equity investments are reported in this category.

Financial instruments are classified as held to maturity if there is an intention to hold the instrument to maturity and the economic conditions for doing so are met. Held-to-maturity financial instruments are non-derivative financial assets that are measured at amortised cost using the effective interest method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. Unless held for trading, they are recognised at cost or amortised cost at the balance sheet date. The carrying amounts of money market placements correspond approximately to their fair values due to their short maturity. Loans and receivables are considered current assets if their maturity is not more than 12 months after the balance sheet date; otherwise, they are recognised as non-current assets. If the recoverability of receivables is in doubt, they are recognised at amortised cost, less appropriate specific allowances. A write-down on trade receivables is recognised if there are objective indications that the amount of the outstanding receivable cannot be collected in full. The write-down is recognised in the income statement via a valuation account.

All financial instruments held for trading and derivatives that do not satisfy the criteria for hedge accounting are assigned to the category "at fair value through profit or loss". They are generally measured at fair value. All changes in fair value are recognised in income. All financial instruments in this category are accounted for at the trade date. Assets in this category are recognised as current assets if they are either held for trading or will likely be realised within 12 months of the balance sheet date.

To avoid variations in net profit resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible and economically useful. Gains and losses from the derivative and the related hedged item are simultaneously recognised in income. Depending on the hedged item and the risk to be hedged, the Group uses fair value hedges and cash flow hedges.

The carrying amounts of financial assets not carried at fair value through profit or loss are tested for impairment at each balance sheet date and whenever there are indications of impairment. The amount of any impairment loss is determined by comparing the carrying amount and the fair value. If there are objective indications of impairment, an impairment loss is recognised in the income statement under other operating expenses or net finance costs. Impairment losses are reversed if there are objective reasons arising after the balance sheet date indicating that the reasons for impairment no longer exist. The increased carrying amount resulting from the reversal of the impairment loss may not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if the impairment loss had not been recognised.

Impairment losses are recognised within the Group if the debtor is experiencing significant financial difficulties, it is highly probable that the debtor will be the subject of bankruptcy proceedings, there ceases to be an active market for a financial instrument, there are material changes in the issuer's technological, economic, legal or market environment, or the fair value of a financial instrument falls below its amortised cost for a significant period.

A fair value hedge hedges the fair value of recognised assets and liabilities. Changes in the fair value of both the derivatives and the hedged item are simultaneously recognised in income.

A cash flow hedge hedges the fluctuations in future cash flows from recognised assets and liabilities (in the case of interest rate risks), highly probable forecast transactions as well as unrecognised firm commitments that entail a currency risk. The effective portion of a cash flow hedge is recognised in the hedging reserve in equity. Ineffective portions resulting from changes in the fair value of the hedging instrument are recognised directly in income. The gains and losses generated by the hedging transactions are initially recognised in equity and are then reclassified into profit or loss in the period in which the asset acquired or liability assumed affects profit or loss. If a hedge of a firm commitment subsequently results in the recognition of a non-financial asset, the gains and losses recognised directly in equity are included in the initial carrying amount of the asset (basis adjustment).

Hedges of net investments (net investment hedges) in foreign entities are treated in the same way as cash flow hedges. The gain or loss from the effective portion of the hedge is recognised in equity, whilst the gain or loss attributable to the ineffective portion

is recognised directly in income. The gains or losses taken directly to equity continue to be recognised in equity until the disposal or partial disposal of the net investment. Detailed information on hedging transactions can be found in [Note 51.2](#).

Regular way purchases and sales of financial assets are recognised at the settlement date. A financial asset is derecognised if the rights to receive the cash flows from the asset have expired. Upon transfer of a financial asset, a review is made under the disposal rules pursuant to IAS 39 as to whether the asset should be derecognised. A disposal gain/loss arises upon disposal. The remeasurement gains/losses recognised directly in equity in prior periods must be reversed as at the disposal date. Financial liabilities are derecognised if the payment obligations arising from them have expired.

Investment property

In accordance with IAS 40, investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the supply of services or for administrative purposes or for sale in the normal course of the company's business. It is measured in accordance with the cost model. Depreciable investment property is depreciated over a period of between 5 and 50 years. The fair value is determined on the basis of expert opinions. Impairment losses are recognised in accordance with the principles described under the section headed "Impairment".

Inventories

Inventories are assets that are held for sale in the ordinary course of business, are in the process of production, or are consumed in the production process or in the rendering of services. They are measured at the lower of cost and net realisable value. Valuation allowances are charged for obsolete inventories and slow-moving goods.

Government grants

In accordance with IAS 20, government grants are recognised at their fair value only when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. The grants are reported in the income statement and are generally recognised as income over the periods in which the costs which they are intended to compensate are incurred. Where the grants relate to the purchase or production of assets, they are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Assets held for sale and liabilities associated with assets held for sale

Assets held for sale are assets available for sale in their present condition and whose sale is highly probable. They may consist of individual non-current assets, groups of assets (disposal groups) or components of an entity (discontinued operations). Liabilities intended to be disposed of together with the assets in a single transaction form part of the disposal group or discontinued operation and are also reported separately as liabilities associated with assets held for sale. Assets held for sale are no longer depreciated or amortised, but are recognised at the lower of their fair value less costs to sell and the carrying amount. Gains and losses arising from the remeasurement of individual non-current assets or disposal groups classified as held for sale are reported in the profit or loss from continuing operations until the final date of disposal. Gains and losses arising from the measurement to fair value less costs to sell of discontinued operations classified as held for sale are reported in the profit or loss from discontinued operations. This also applies to the profit or loss from operations of these components of an entity and the gain or loss on disposal.

Receivables and other securities as well as liabilities from financial services (Deutsche Postbank Group)

For financial year 2008, receivables and other securities as well as liabilities from financial services are reported in the assets held for sale and liabilities associated with assets held for sale balance sheet items. Financial year 2007 is the last year for which the operating activities of the Deutsche Postbank Group are presented in the balance sheet items receivables and other securities from financial services and liabilities from financial services.

Whether or not there is an active market for a financial instrument is relevant for assessing the accounting policies for the financial instrument in question. According to IAS 39.AG71, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the conditions mentioned do not exist, there is an inactive market.

Loans and advances to other banks and customers are generally recognised at amortised cost ("loans and receivables" category). This category also includes money market lendings. Premiums and discounts including transaction costs are recognised in the income statement under net interest income. Interest accrued on loans and advances as well as premiums and discounts are reported together with the loans and advances to which they relate under the relevant balance sheet items. Premiums and discounts are deferred using the effective interest method.

Identifiable credit risks are covered by specific valuation allowances (or collective valuation allowances). In addition, portfolio-based valuation allowances are recognised for groups of financial assets with similar default risk profiles in respect of risks that have arisen but have not yet been identified. The amounts of the allowances are determined on the basis of Basel II parameters (expected default rates and probability). The allowance for losses on loans and advances is deducted from assets as a separate balance sheet item. It comprises the allowance for losses on loans and advances to other banks and customers.

Trading assets comprise securities and derivatives with positive fair values acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins. They also include the positive fair values of banking book derivatives and derivatives associated with hedged items measured under the fair value option. These transactions are recognised at the trade date. Trading assets are measured at their fair values. Remeasurement gains and losses as well as gains or losses on the sale or disposal of trading assets are recognised in net trading income. If there are publicly quoted market prices on an active market as defined by IAS 39.AG 71 ff., these are generally used as the fair value; if this is not the case, fair value is determined using recognised valuation models.

Investment securities are composed of bonds not held for trading and other fixed-income securities, equities and other non-fixed-income securities. Investment securities are recognised at the settlement date and are measured at cost at the time of initial recognition. Held-to-maturity bonds and securities not listed on an active market are carried at amortised cost. Premiums and discounts are allocated directly to the financial instruments and deferred over the remaining maturity using the effective interest method.

Liabilities and subordinated debt are carried at amortised cost (IAS 39.47). The carrying amount of hedged liabilities that meet the requirements for hedge accounting is adjusted for the gains and losses from changes in fair value attributable to the hedged risk. Premiums, discounts and issue costs are recognised in net interest income by applying the effective interest method.

Trading liabilities comprise derivatives with negative fair values that were acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins. They also include the negative fair values of banking book derivatives. Remeasurement gains and losses as well as gains or losses realised on the settlement of trading liabilities are recognised in net trading income. Derivatives carried under trading liabilities are recognised at the trade date.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term liquid financial assets with an original maturity of up to three months and are carried at their principal amount. Overdraft facilities used are recognised in the balance sheet as amounts due to banks.

Share-based remuneration

In accordance with IFRS 2, the stock option plan for executives is measured using investment techniques based on option pricing models. The objective is to determine a fair value for options. A stochastic simulation model is used for this purpose, which assumes a logarithmic normal distribution of the returns on Deutsche Post shares and the Dow Jones EURO STOXX Total Return Index and is therefore based on the same fundamental assumption as the Black-Scholes model. The options are measured at fair value on the grant date. The fair value thus calculated for probable options is recognised in income under staff costs and allocated over the term of the options.

Stock appreciation rights (SAR) issued to members of the Board of Management and executives are measured on the basis of

a recognised option pricing model in accordance with IFRS 2. The amount determined for SAR that will probably not lapse is recognised in income under staff costs to reflect the services rendered as consideration during the vesting period (lock-up period). A provision is recognised for the same amount.

Pension obligations

In a number of countries, the Group maintains defined benefit pension plans based on the pensionable compensation and length of service of employees. Most of these benefit plans are funded through external pension funds. Provisions for pensions are measured using the projected unit credit method prescribed by IAS 19 for defined benefit plans. In accordance with IAS 19.92, actuarial gains and losses are recognised only to the extent that they exceed the greater of 10% of the present value of the obligations and of the fair value of plan assets. The excess is allocated over the expected remaining working lives of active employees and recognised in income. The interest component of pension expenses is reported under net finance costs/net financial income.

The Group also contributes to a number of defined contribution plans. Contributions to these defined contribution pension plans are recognised as staff costs when they are due. In 2008, employer contributions amounting to €154 million were paid in respect of these plans (previous year: €175 million).

Pension plans for civil servant employees in Germany

In addition to the state pension system operated by the statutory pension insurance funds, to which contributions for hourly workers and salaried employees are remitted in the form of non-wage costs, Deutsche Post AG and Deutsche Postbank AG pay contributions to defined contribution plans in accordance with statutory provisions.

Until 2000, Deutsche Post AG and Deutsche Postbank AG each operated a separate pension fund for their active and former civil servant employees. These funds were merged with the pension fund of Deutsche Telekom AG to form the joint special pension fund Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT).

Under the provisions of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German posts and telecommunications reorganisation act), Deutsche Post AG and Deutsche Postbank AG make benefit and assistance payments via a special pension fund to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. The amount of the payment obligations of Deutsche Post AG and Deutsche Postbank AG is governed by Section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost former employees act). Since 2000, both companies have been legally obliged to pay into this special pension fund an annual contribution of 33% of the pensionable gross compensation of active civil servants and the notional pensionable gross compensation of civil servants on leave of absence. In the year under review, Deutsche Post AG paid contributions of €560 million (previous year: €560 million) and Deutsche Postbank AG paid contributions of €114 million (previous year: €111 million) to Bundes-Pensions-Service für Post und Telekommunikation e.V.

Under the PTNeuOG, the federal government takes appropriate measures to make good the difference between the current payment obligations of the special pension fund on the one hand, and the current contributions of Deutsche Post AG and Deutsche Postbank AG, or the return on assets on the other, and guarantees that the special pension fund is able at all times to meet the obligations it has assumed in respect of its funding companies. Where the federal government makes payments to the special pension fund under the terms of this guarantee, it cannot claim reimbursement from Deutsche Post AG and Deutsche Postbank AG.

Pension plans for hourly workers and salaried employees

The benefit obligations for the Group's hourly workers and salaried employees relate primarily to pension obligations in Germany and significant funded obligations in the UK, the Netherlands, Switzerland and the USA. There are various commitments to individual groups of employees. The commitments usually depend on length of service and final salary (e.g. the UK), are based on the amount of contributions paid (e.g. Switzerland), or take the form of a flat-rate contribution system (e.g. Germany). The obligations for defined benefit plans are measured using the projected unit credit method prescribed by IAS 19. Future obligations are determined using actuarial principles and on the basis of actuarial and economic assumptions. The expected benefits are built up over the entire length of service of the employees, taking into account changes in key parameters.

The majority of the defined benefit plans in Germany relate to Deutsche Post AG. The defined benefit obligations of the Deutsche Postbank Group are almost entirely related to pension plans in Germany.

Other provisions

Other provisions are recognised for all legal or constructive obligations to third parties existing at the balance sheet date that have arisen as a result of past events, are expected to result in an outflow of future economic benefits and whose amount can be measured reliably. They represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk, region and time until settlement of the obligation. The table below shows a sample of the interest rates applied:

Region	1 to 6 years	More than 6 years
Euro zone	5.25%	5.50%
UK	5.50%	5.75%
Switzerland	4.00%	4.25%
Japan	2.00%	2.50%
Latin America and Africa	18.75%	19.50%

For the home savings business (Deutsche Postbank Group), provisions are recognised, based on the different tariffs and conditions applicable to the contracts, for uncertain liabilities relating to reimbursements of arrangement fees and for retroactively payable interest rate bonuses where loans have not been taken up or there has been a change in the applicable interest rate or tariff of the contract. These provisions are calculated as a percentage of the total potential liability, based on the statistical data available relating to customer behaviour and taking into account the general environment likely to affect the business in the future.

The technical reserves (insurance) consist mainly of outstanding loss reserves and IBNR (incurred but not reported claims) reserves. Outstanding loss reserves represent estimates of ultimate obligations in respect of actual claims or known incidents expected to give rise to claims, which have been reported to the company but have yet to be finalised and presented for payment. Outstanding loss reserves are based on individual claim valuations carried out by the company or its ceding insurers. IBNR reserves represent estimates of ultimate obligations in respect of incidents taking place on or before the balance sheet date which have not been reported to the company but will nonetheless give rise to claims in the future. Such reserves also include provisions for potential errors in settling outstanding loss reserves. The company carries out its own assessment of ultimate loss liabilities using actuarial methods and also commissions an independent actuarial study of these each year as a means of verifying the reasonableness of its estimates.

Financial liabilities

On initial recognition, financial liabilities are carried at fair value less transaction costs. The price determined on a price-efficient and liquid market or a fair value determined using the treasury risk management system deployed within the Group is taken as the fair value. In subsequent periods the financial liabilities are measured at amortised cost. Any differences between the amount received and the amount repayable are recognised in income over the term of the loan using the effective interest method.

Liabilities

Trade payables and other liabilities are carried at amortised cost. The fair value of the liabilities corresponds more or less to their carrying amount.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for temporary differences between the carrying amounts in the IFRS financial statements and the tax accounts of the individual entities. Deferred tax assets also include tax reduction claims which arise from the expected future utilisation of existing tax loss carryforwards and which are likely to be realised. In compliance with IAS 12.24 (b) and IAS 12.15 (b), deferred tax assets or liabilities were only recognised for temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG and Deutsche Postbank AG where the differences arose after 1 January 1995. No deferred tax assets or liabilities can be recognised for tem-

porary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG and Deutsche Postbank AG as at 1 January 1995. Further details on deferred taxes from tax loss carryforwards can be found in [Note 19](#).

In accordance with IAS 12, deferred tax assets and liabilities are calculated by using the tax rates applicable in the individual countries at the balance sheet date or announced for the time when the deferred tax assets and liabilities are realised. The tax rate of 29.8% applied to German Group companies comprises the corporation tax rate plus the solidarity surcharge, as well as a municipal trade tax rate which is calculated as the average of the different municipal trade tax rates. Foreign Group companies use their individual income tax rate to calculate deferred tax items. The income tax rates applied for foreign companies range from 15% to 48%.

Income taxes

Income tax assets and liabilities are measured at the amounts for which repayments from or payments to the tax authorities are expected to be received or made.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognised as liabilities (see [Note 52](#)).

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The exercise of judgement in applying the accounting policies

The preparation of IFRS-compliant consolidated financial statements requires the exercise of judgement by management. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances. This applies to the following matters in particular:

In the case of certain contracts, a decision must be made whether they should be accounted for as derivatives or as executory contracts. Financial assets are classified under four categories, namely, held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. In measuring the provisions for pensions and other employee benefits, there are different options for recognising actuarial gains and losses. For this purpose, the Group applies the “corridor method” in accordance with IAS 19.92 (10% corridor). With respect to assets held for sale, it must be determined whether the assets are available for sale in their present condition and whether their sale is highly probable. If that is the case, the assets and the associated liabilities are reported and measured as assets held for sale and liabilities associated with assets held for sale.

Estimates and assessments made by management

The preparation of the consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made that affect the amounts of the assets and liabilities included in the balance sheet, the amounts of income and expenses, and the disclosures relating to contingent liabilities.

Amongst other things, these assumptions relate to the recognition and measurement of provisions. When determining the provisions for pensions and other employee benefits, the discount rate used is an important factor that has to be estimated. It is based on the rate of return on high-quality corporate bonds. Due to the financial market crisis, the risk premiums for corporate bonds rose markedly compared with government bonds. The market returns on which the calculated rate of interest is based also rose as a result. An increase or reduction of one percentage point in the discount rate used would result in a reduction or increase of around €850 million in the pension obligations of pension plans in Germany. A similar change in the discount rate used to measure the pension obligations of the Group companies in the UK would result in a reduction or increase of around €350 million. Since actuarial gains and losses are only recognised if they exceed 10% of the higher of the defined benefit obligation and the fair value of the plan assets, changes in the discount rate used for the Group's benefit plans generally have little or no effect on the expense or the carrying amount of the provisions recognised in the following financial year.

The Group has operating activities around the globe and is subject to local tax laws. Management can exercise judgement when calculating the amounts of current and deferred taxes. Although management believes that it has made a reasonable estimate relating to tax matters that are inherently uncertain, there can be no guarantee that the actual outcome of these uncertain tax matters will correspond exactly to the original estimate made. Any difference between actual events and the estimate made could have an effect on tax liabilities and deferred taxes in the particular period in which the matter is finally decided. The amount recognised for deferred tax assets could be reduced if the estimates of planned taxable income or the tax benefits achievable as a result of tax planning strategies are revised downwards, or in the event that changes to current tax laws restrict the extent to which future tax benefits can be realised.

Goodwill is regularly reported in the Group's balance sheet as a consequence of business combinations. When an acquisition is initially recognised in the consolidated financial statements, all identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. One of the most important estimates this requires is the determination of the fair values of these assets and liabilities at the date of acquisition. Land, buildings and office equipment are generally valued by independent experts, whilst securities for which there is an active market are recognised at the quoted exchange price. If intangible assets are identified in the course of an acquisition, then their measurement is based on the opinion of an independent external expert valuer, depending on the type of intangible asset and the complexity involved in determining its fair value. The independent expert determines the fair value using appropriate valuation techniques, normally based on expected future cash flows. In addition to the assumptions about the development of future cash flows, these valuations are also significantly affected by the discount rates used.

Impairment testing for goodwill is based on assumptions with respect to the future. The Group carries out these tests annually and also whenever there are indications that goodwill may have become impaired. The recoverable amount of the CGU must then be calculated. This amount is the higher of fair value less costs to sell and value in use. The determination of value in use requires adjustments and estimates to be made with respect to forecasted future cash flows and the discount rate applied. Although management believes that the assumptions made for the purpose of calculating the recoverable amount are appropriate, possible unforeseeable changes in these assumptions – e.g. a reduction in the EBIT margin, an increase in the cost of capital, or a decline in the long-term growth rate – could result in an impairment loss that could negatively affect the Group's net assets, financial position and results of operations.

Pending legal proceedings in which the Group is involved are disclosed in [Note 54](#). The outcome of these proceedings could have a significant effect on the net assets, financial position and results of operations of the Group. Management regularly analyses the information currently available about these proceedings and recognises provisions for probable obligations including estimated legal costs. Internal and external legal advisers participate in making this assessment. In deciding on the necessity for a provision, management takes into account the probability of an unfavourable outcome and whether the amount of the obligation can be estimated with sufficient reliability. The fact that an action has been launched or a claim asserted against the Group, or that a legal dispute has been disclosed in the Notes, does not necessarily mean that any provision recognised for the associated risk is adequate.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the balance sheet date. For the purpose of estimating the future development of the business, a realistic assessment was also made at that date of the economic environment likely to apply in the future to the different sectors and regions in which the Group operates. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be any significant adjustments in financial year 2009 to the carrying amounts of the assets and liabilities recognised in the financial statements.

9 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and the subsidiaries, joint ventures and associates included in the consolidated financial statements, prepared in accordance with uniform accounting policies as at 31 December 2008 and audited by independent auditors.

Acquisition accounting for subsidiaries included in the consolidated financial statements uses the purchase method of accounting. The cost of the acquisition corresponds to the fair value of the assets given up, the equity instruments issued and the liabilities incurred or assumed at the transaction date, plus any costs directly attributable to the acquisition.

Joint ventures are proportionately consolidated in accordance with IAS 31. Assets and liabilities, as well as income and expenses, of jointly controlled companies are included in the consolidated financial statements in proportion to the interest held in these companies. Proportionate acquisition accounting as well as recognition and measurement of goodwill use the same methods as applied to the consolidation of subsidiaries.

Companies on which the parent can exercise significant influence (associates) are accounted for in accordance with the equity method using the purchase method of accounting. Any goodwill is recognised under investments in associates.

Intra-Group revenue, other operating income and expenses as well as receivables, liabilities and provisions between consolidated companies are eliminated. Inter-company profits or losses from intra-Group deliveries and services not realised by sale to third parties are eliminated.

10 Segment reporting disclosures

Segment reporting was prepared in accordance with IAS 14 (Segment Reporting). The presentation of specific data from the consolidated financial statements is classified by divisions and regions, based on the Group's internal reporting and organisational structure. Segment reporting is designed to enable a transparent view of the earnings power, net assets and financial position of the individual components of the Group's activities and regions. Information on the individual restructuring measures and restatements of prior-year figures can be found in [Note 10.1](#).

Reflecting the Group's predominant organisational structure, the primary reporting format is based on the divisions. The Group distinguishes between the following divisions:

10.1 Segments by division

MAIL

In addition to the transport and delivery of written communications, the MAIL Division is positioning itself as an end-to-end service provider for the management of written communications. The division comprises the following business units: Mail Communication, Dialogue Marketing, Press Services, Parcel Germany, Global Mail and the retail outlets. The Pension Service was transferred from the FINANCIAL SERVICES Division to the mail business. Corporate Information Solutions was transferred from the MAIL Division to the SUPPLY CHAIN/CIS Division. The prior-year figures were restated accordingly.

EXPRESS

The EXPRESS Division offers international and national courier and express services to business and private customers. The division comprises the Express Europe, Express Americas, Express Asia Pacific and Express EEMEA business units.

GLOBAL FORWARDING/FREIGHT

The LOGISTICS Division was dissolved in March 2008 and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. The activities of the GLOBAL FORWARDING/FREIGHT Division comprise the transportation of goods by rail, road, air and sea. The division's business units are Global Forwarding and Freight. The prior-year figures were restated accordingly.

SUPPLY CHAIN/CIS

The LOGISTICS Division was dissolved in March 2008 and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. The Corporate Information Solutions Business Unit was previously reported in the MAIL Division. The division specialises in contract logistics and provides warehousing and ground-based transport services as well as sector-based value-added services along the entire supply chain. The division also offers end-to-end solutions for corporate information and communications management. The division's business units comprise Supply Chain together with Corporate Information Solutions. The prior-year figures were restated accordingly.

Corporate Center/Other

The costs of Global Business Services have been allocated in full to the operating divisions since the beginning of 2008. Deutsche Post AG's retail outlets were transferred to the MAIL segment. As the services area did not retain any significant opportunities and risks, it was no longer a segment within the meaning of IAS 14. The SERVICES segment was therefore dissolved. The remaining items of this segment and the entire Corporate Center are now reported in the Corporate Center/Other column. The Corporate Center/Other column also includes the consolidation of intersegment transactions. The prior-year figures were restated accordingly.

Discontinued operation: FINANCIAL SERVICES

The FINANCIAL SERVICES Division consists of the Deutsche Postbank Group's activities. In view of the announced sale of the Deutsche Postbank Group, the segment is presented as a discontinued operation. The Pension Service previously allocated to the FINANCIAL SERVICES segment was transferred to the mail business. The prior-year figures were restated accordingly.

Reconciliation of segment amounts to consolidated amounts

The reconciliation column contains the effects of consolidation adjustments and the amounts from the differing definitions of segment items compared with the corresponding item for the Group.

Reconciliation

€m	Total		Reconciliation		Consolidated amount	
	of continuing operations					
	2007	2008	2007	2008	2007	2008
External revenue	54,043	54,474	0	0	54,043	54,474
Internal revenue	3,288	3,232	-3,288	-3,232	0	0
Total revenue	57,331	57,706	-3,288	-3,232	54,043	54,474
Other operating income	3,582	3,907	-1,239	-1,171	2,343	2,736
Materials expense	-33,845	-34,801	3,142	2,822	-30,703	-31,979
Staff costs	-17,180	-18,001	11	11	-17,169	-17,990
Other operating expenses	-5,559	-6,716	1,374	1,570	-4,185	-5,146
Depreciation, amortisation and impairment losses	-2,196	-2,662	0	0	-2,196	-2,662
Profit/loss from operating activities (EBIT)	2,133	-567	0	0	2,133	-567
Net income from associates	3	2	0	0	3	2
Net other finance costs					-948	-501
Income taxes					-173	-200
Profit/loss from discontinued operations					858	-713
Consolidated net profit/loss					1,873	-1,979
of which attributable to						
Deutsche Post AG shareholders					1,383	-1,688
Minorities					490	-291

External revenue is the revenue generated by the divisions from non-Group third parties. Internal revenue is revenue generated with other divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-oriented prices are used as transfer prices (arm's length principle). The transfer prices for services for which no external market exists are generally based on incremental costs.

The expenses for IT services provided in the IT service centres are allocated to the divisions by cause. The additional costs resulting from Deutsche Post AG's universal postal service obligation (nationwide retail outlet network, delivery every working day), and from its obligation to assume the compensation structure as the legal successor to Deutsche Bundespost, are allocated to the MAIL Division.

Segment assets are composed of non-current assets (excluding non-current financial assets) and current assets (excluding income tax receivables, cash and cash equivalents and current financial instruments). Purchased goodwill is allocated to the divisions.

Reconciliation of segment assets

€m	2007	2008
Total assets	235,420	262,964
Investment property	-187	-32
Non-current financial assets	-1,060	-635
Other non-current assets	-413	-449
Deferred tax assets	-1,040	-1,033
Income tax assets	-312	-191
Receivables and other assets	-142	-548
Financial instruments	-72	-50
Cash and cash equivalents	-4,683	-1,350
Total	227,511	258,676
FINANCIAL SERVICES assets	-197,244	-231,824
Total segment assets (continuing operations)	30,267	26,852

Segment liabilities relate to non-interest-bearing provisions and liabilities (excluding income tax liabilities).

Reconciliation of segment liabilities

€m	2007	2008
Total equity and liabilities	235,420	262,964
Equity	-13,813	-9,852
Non-current provisions	-10,573	-8,029
Non-current liabilities	-8,986	-3,685
Current provisions	-359	-303
Current liabilities	-2,238	-1,733
Total	199,451	239,362
FINANCIAL SERVICES liabilities	-188,553	-227,723
Total segment liabilities (continuing operations)	10,898	11,639

The segment investments relate to intangible assets (including purchased goodwill) and property, plant and equipment. Depreciation, amortisation and write-downs relate to the segment assets allocated to the individual divisions. Other non-cash expenses relate primarily to expenses from the recognition of provisions.

10.2 Segments by region

The allocation of external revenue is based on the location of the customers. Only revenue generated from non-Group third parties is disclosed. Segment assets are allocated according to the location of the assets. They are composed of the non-current assets (excluding non-current financial assets) and current assets (excluding income tax receivables, cash and cash equivalents and current financial instruments) of the individual regions. Segment assets also include purchased goodwill, which is generally allocated on the basis of the domicile of the Group companies. Segment investments are also allocated on the basis of the location of the assets. They include investments in intangible assets (including purchased goodwill) and property, plant and equipment.

Income statement disclosures

11 Revenue

€m	2007 restated ¹⁾	2008
Revenue	54,043	54,474

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

As in the prior-year period, there was no revenue in financial year 2008 that was generated on the basis of barter transactions. The increase in revenue amounting to €1,296 million in the FORWARDING/FREIGHT Division contrasted with a decline of €586 million in the SUPPLY CHAIN/CIS Division.

The further classification of revenue by division and the allocation of revenue to geographical regions is presented in the segment reporting.

12 Other operating income

€m	2007 restated ¹⁾	2008
Income from prior-period billings	80	626
Income from currency translation differences	262	269
Income from the reversal of provisions	192	253
Rental and lease income	155	178
Insurance income	176	173
Income from work performed and capitalised	163	168
Gains on disposal of non-current assets	275	147
Income from the derecognition of liabilities	54	128
Income from fees and reimbursements	153	103
Income from derivatives	7	86
Reversals of impairment losses on receivables and other assets	85	66
Commission income	78	66
Income from loss compensation	27	23
Income from payments recoveries on receivables written off	17	9
Subsidies	11	8
Income from the sale of Vfw AG, Germany	59	0
Miscellaneous	549	433
Other operating income	2,343	2,736

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

The €572 million increase in income from prior-period billings relates to the operating component of the state aid repayment. In June 2008, the provision for the funding of shortfalls in the Postal Civil Service Health Insurance Fund was reversed in the amount of €61 million.

Miscellaneous other operating income includes a large number of smaller individual items.

13 Materials expense

€m	2007 restated ¹⁾	2008
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Fuel	928	968
Aircraft fuel	601	781
Packaging material	397	390
Goods purchased and held for resale	1,292	1,352
Office supplies	96	79
Spare parts and repair materials	90	92
Other expenses	112	100
	3,516	3,762
Cost of purchased services		
Transportation costs	18,450	19,483
Cost of temporary staff	2,469	2,321
Expenses from non-cancellable leases	1,685	1,735
Expenses from cancellable leases	471	469
Other lease expenses (incidental expenses)	166	185
Maintenance costs	1,023	994
IT services	772	764
Commissions paid	313	343
Expenses for the use of Postbank branches	511	484
Other purchased services	1,327	1,439
	27,187	28,217
Materials expense	30,703	31,979

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Materials expense includes expenses of €305 million relating to restructuring and reorganisation measures within the Group.

The rise in the materials expense mainly resulted from higher transportation expenses in the Global Forwarding Business Unit. The expenses for the use of Postbank branches related to commission payments to Deutsche Postbank Filialvertrieb AG, mostly in connection with sales services provided for the mail business. Other purchased services include a large number of individual items.

14 Staff costs/employees

€m	2007 restated ¹⁾	2008
Wages, salaries and compensation	14,138	14,104
of which expenses for options under the stock option plans	14	4
of which expenses for SAR under the stock option plans	2	0
of which expenses from 2006 SAR Plan/LTIP	21	0
Social security contributions	2,150	2,382
Retirement benefit expenses	881	1,504
Staff costs	17,169	17,990

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Staff costs include expenses of €959 million relating to restructuring and reorganisation measures within the Group.

Retirement benefit expenses include €557 million (previous year: €560 million) relating to contributions by Deutsche Post AG to Bundes-Pensions-Service für Post und Telekommunikation e.V. Further details can be found in [Note 7](#).

Staff costs relate mainly to wages, salaries and compensation, as well as all other benefits paid to employees of the Group for their services in the year under review. Social security contributions relate in particular to statutory social security contributions paid by employers.

Retirement benefit expenses relate to current and former employees or their surviving dependants. These expenses consist of additions to pension provisions, employer contributions to supplementary occupational pension plans and retirement benefit payments by employers for their employees. The increase is mainly attributable to the obligations assumed as part of the restructuring measures in the USA in relation to compensation payments.

The average number of the Group's employees in the year under review, classified by employee group, was as follows:

	2007	2008
Hourly workers and salaried employees		
Deutsche Postbank Group: 15,459 (previous year: 15,578)	443,584	456,149
Civil servants		
Deutsche Postbank Group: 8,028 (previous year: 8,363)	52,809	51,304
Trainees		
Deutsche Postbank Group: 673 (previous year: 610)	3,859	3,839
Employees	500,252	511,292

The number of full-time equivalents as at 31 December 2008 was 451,515 employees; 21,127 employees of the Deutsche Postbank Group must be added to this (31 December 2007: 453,626 employees plus 21,474 employees of the Deutsche Postbank Group). The employees of companies acquired or disposed of during the year under review were included ratably. The number of employees of consolidated joint ventures amounted to 1,709 on a proportionate basis (previous year: 2,152).

15 Depreciation, amortisation and impairment losses

€m	2007 restated ¹⁾	2008
Amortisation of intangible assets, excluding the impairment of goodwill	509	826
Depreciation of property, plant and equipment		
Land and buildings	487	203
Technical equipment and machinery	498	338
Other equipment, operating and office equipment, vehicle fleet	568	480
Aircraft	126	202
Advance payments	6	3
	1,685	1,226
Depreciation/amortisation of other non-current assets	2	0
	2,196	2,052
Impairment of goodwill	0	610
Depreciation, amortisation and impairment losses	2,196	2,662

¹⁾ Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Depreciation, amortisation and impairment losses include expenses of €144 million relating to restructuring and reorganisation measures within the Group.

Depreciation, amortisation and impairment losses include €213 million (previous year: €612 million) in respect of write-downs. Of that amount, €79 million relates to intangible assets (previous year: €97 million) and €9 million to land and buildings (previous year: €253 million), whilst €125 million relates to the remaining property, plant and equipment (previous year: €262 million).

In addition, the Exel brand name was fully written down in financial year 2008 in the amount of €382 million since the use of the brand was discontinued.

Impairment of goodwill amounting to €436 million related to the goodwill of Supply Chain, whilst €174 million related to CIS. Further details can be found in [Note 3](#).

At segment level, the amounts of impairment losses on non-current assets (excluding impairment of goodwill) were as follows:

€m	2007	2008
MAIL	3	4
EXPRESS	596	125
GLOBAL FORWARDING/FREIGHT	0	0
SUPPLY CHAIN/CIS	13	19
Corporate Center/Other	0	65
Write-downs	612	213

In the Americas region of the EXPRESS Division in the previous year, intangible assets (excluding goodwill) were written down fully in the amount of €90 million whilst items of property, plant and equipment were written down by €504 million to their fair value less costs to sell.

As at 1 July 2008, accompanying the division of the Express Americas CGU into the International Americas CGU and the US Express CGU, impairment losses were no longer recognised for the Express Americas CGU as a whole and continued to be recognised

only for the US Express CGU. The reason for this was the decision by management, after considering the restructuring options, to treat the US Express region and the International Americas region differently. Business operations would be restructured only in the USA, on the basis of differentiation between domestic business products and international business products. As a result of this decision, impairment losses were no longer recognised in respect of the International Americas CGU. Impairment losses amounting to €81 million were recognised for non-current assets in the year under review in respect of the US Express CGU.

16 Other operating expenses

€m	2007 restated ¹⁾	2008
Travel and training costs	483	450
Closure costs	53	411
Other business taxes	371	378
Warranty expenses, refunds and compensation payments	365	326
Write-downs of current assets	227	321
Cost of purchased cleaning, transport and security services	297	302
Consulting costs	292	272
Telecommunication costs	298	269
Expenses from currency translation differences	266	269
Expenses from derivatives	4	221
Office supplies	221	207
Legal costs	86	167
Other public relations expenses	151	163
Entertainment and corporate hospitality expenses	165	163
Advertising expenses	189	142
Insurance costs	135	118
Additions to provisions	5	112
Expenses for disposal of non-current assets	109	92
Prior-period other operating expenses	41	85
Services provided by the Federal Posts and Telecommunications Agency	71	70
Expenses for public relations and customer support	98	70
Commissions paid	61	64
Contributions and fees	30	37
Audit costs	36	36
Monetary transaction costs	34	35
Donations	17	18
Miscellaneous	80	348
Other operating expenses	4,185	5,146

¹⁾ Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Other operating expenses include expenses of €1,140 million that relate to restructuring and reorganisation measures within the Group.

Miscellaneous other operating expenses include a number of individual items.

Taxes other than income taxes are either recognised under the related expense item or, if no specific allocation is possible, under other operating expenses.

17 Net income from associates

Investments in companies on which a significant influence can be exercised and which are accounted for using the equity method contributed €2 million (previous year: €3 million) to net finance costs.

18 Net other finance costs

€m	2007 restated ¹⁾	2008
Financial income		
Interest income	69	576
Income from other equity investments and financial instruments	14	15
Income from currency translation differences	13	23
Other financial income	7	7
	103	621
Finance costs		
Interest expenses	-986	-1,064
of which interest cost on discounted provisions for pensions and other provisions	-652	-690
Cost of loss absorption	-1	0
Write-downs on financial instruments	-2	-30
Expenses from currency translation differences	-57	-8
Other finance costs	-5	-20
	-1,051	-1,122
Net other finance costs	-948	-501

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

The increase in financial income reflects the interest component of the repayment of state aid amounting to €495 million.

19 Income taxes

€m	2007 restated ¹⁾	2008
Current income tax expense	-384	-352
Current recoverable income tax	5	25
	-379	-327
Deferred tax income from temporary differences	201	140
Deferred tax expense (previous year: tax income) from the reduction in deferred tax assets from tax loss carryforwards	5	-13
	206	127
Income tax expense	-173	-200

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

Despite the decline in the profit from continuing operations, which was due mainly to the restructuring expenses in the USA, there was no effect on the tax expense because little or no income tax was paid as a result of the loss generated, and no deferred tax assets were recognised in respect of the resulting tax loss carryforwards.

The reconciliation to the effective income tax expense is shown below, based on consolidated net profit before income taxes and the expected income tax expense:

Reconciliation to effective income tax expense

€m	2007 restated ¹⁾	2008
Profit/loss from continuing operations before income taxes	1,188	-1,066
Expected income tax expense	474	-318
Deferred tax assets not recognised for initial differences	-735	-420
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	346	469
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	98	424
Changes in tax rates at German Group companies	18	0
Effect of current taxes from previous years	-9	-45
Tax-exempt income and non-deductible expenses	67	118
Differences in tax rates at foreign companies	-86	-30
Other	0	2
Effective income tax expense from continuing operations	173	200

1) Change in presentation of the Deutsche Postbank Group (see Notes 3 and 5).

The difference between the expected and the effective income tax expense is due in particular to temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG resulting from initial differences in the opening tax accounts as at 1 January 1995. In accordance with IAS 12.15 (b) and IAS 12.24 (b), the Group did not recognise any deferred tax assets on these temporary differences, which relate mainly to property, plant and equipment as well as to provisions for pensions and other employee benefits. The remaining temporary differences between the carrying amounts in the IFRS financial statements and in the opening tax accounts amount to €2.0 billion as at 31 December 2008 (previous year: €3.4 billion).

The effects from deferred tax assets of German Group companies not recognised on tax loss carryforwards and temporary differences relate primarily to Deutsche Post AG and members of its consolidated tax group. Effects from deferred tax assets of foreign companies not recognised on tax loss carryforwards and temporary differences relate primarily to the Americas region.

Effects from deferred tax assets not recognised amounting to €585 million (previous year: €122 million) were due to the reversal of a write-down of deferred tax assets recognised in a prior period. The income tax expense was reduced by an amount of €17 million (previous year: €51 million) as a result of the utilisation of tax losses not previously reflected in the financial statements.

A deferred tax asset in the amount of €332 million was recognised in the balance sheet as, based on tax planning, realisation of the tax asset is probable, and losses of the current period are largely due to non-recurring items.

In financial year 2008, German Group companies were not affected by tax rate changes. In the previous year, such changes resulted from the 2008 business tax reform. The change in the tax rate in some foreign tax jurisdictions did not lead to any significant effects.

The effective income tax expense includes prior-period tax expenses from German and foreign companies in the amount of €45 million (previous year: €9 million).

20 Profit/loss from continuing operations

The loss from continuing operations in financial year 2008 amounted to €1,266 million (previous year: profit of €1,015 million). It was mainly impacted by restructuring measures in the US business and the impairment losses recognised on intangible assets in the Supply Chain and CIS units.

21 Profit/loss from discontinued operations

The income and expenses of the Deutsche Postbank Group are presented separately as a discontinued operation in accordance with IFRS 5:

Profit/loss from discontinued operations

€m	2007 restated ¹⁾	2008
Income from banking transactions (revenue)	10,335	11,226
Other operating income	477	-998
Total operating income	10,812	10,228
Expenses from banking transactions (materials expense)	-7,061	-8,270
Staff costs	-1,311	-1,337
Depreciation, amortisation and impairment losses	-161	-179
Other operating expenses	-1,219	-1,313
Total operating expenses	-9,752	-11,099
Profit/loss from operating activities (EBIT)	1,060	-871
Net finance costs	-65	-73
Profit/loss before taxes from discontinued operations	995	-944
Attributable tax expense	-137	150
Profit/loss after taxes from discontinued operations	858	-794
Reversal of negative goodwill (arising from increase in equity investment)	0	+81
Profit/loss from discontinued operations	858	-713

1) Prior-year figures restated due to change in presentation of the Deutsche Postbank Group.

In financial year 2008, the crisis on the financial markets impacted net trading income, net income from investment securities and the allowance for losses on loans and advances. Amongst other things, the Deutsche Postbank Group recognised write-downs amounting in total to €423 million as a result of its exposure to Lehman Brothers, the US investment bank under chapter 11 protection, and to Icelandic banks. In addition, earnings were affected by valuation allowances of €97 million (previous year: €18 million) on equity and retail funds, and of €156 million (previous year: €112 million) on structured credit products. Charges of €786 million were also determined in relation to the remeasurement of embedded derivatives from the structured credit substitution business.

22 Consolidated net profit/loss for the period

In financial year 2008, the Group generated a consolidated net loss for the period of €1,979 million (previous year: net profit of €1,873 million, restated). Of the consolidated net loss, €1,688 million (previous year: net profit of €1,383 million, restated) is attributable to

Deutsche Post AG shareholders. The main reasons for the net loss for the period were the restructuring expenses in the US business and the loss for the period incurred by the Deutsche Postbank Group.

23 Minorities

The net loss of €291 million attributable to minorities represented a decline of €781 million year-on-year.

24 Earnings per share

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share) by dividing consolidated net profit by the average number of shares. Basic earnings per share for financial year 2008 were €-1.40 (previous year: €1.15).

Basic earnings per share

		2007 restated ¹⁾	2008
Consolidated net profit/loss attributable to Deutsche Post AG shareholders	€m	1,383	-1,688
Weighted average number of shares outstanding	Number	1,205,101,455	1,208,617,943
Basic earnings per share	€	1.15	-1.40
of which from continuing operations	€	0.79	-1.10
of which from discontinued operations	€	0.36	-0.30

1) Prior-year figures restated due to change in presentation of the Deutsche Postbank Group.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. There were 2,726,658 stock options for executives as at the reporting date (previous year: 13,184,482), of which none were dilutive (previous year: 2,489,720).

Diluted earnings per share

		2007 restated ¹⁾	2008
Consolidated net profit/loss attributable to Deutsche Post AG shareholders	€m	1,383	-1,688
Weighted average number of shares outstanding	Number	1,205,101,455	1,208,617,943
Potentially dilutive shares	Number	2,489,720	0
Weighted average number of shares for diluted earnings	Number	1,207,591,175	1,208,617,943
Diluted earnings per share	€	1.15	-1.40
of which from continuing operations	€	0.79	-1.10
of which from discontinued operations	€	0.36	-0.30

1) Prior-year figures restated due to change in presentation of the Deutsche Postbank Group.

25 Dividend per share

A dividend per share of €0.60 is being proposed for financial year 2008. Based on the 1,209,015,874 shares recorded in the commercial register as at 31 December 2008, this corresponds to a dividend distribution of €725 million. Further details on the dividend distribution can be found in [Note 42](#).

Balance sheet disclosures

26 Intangible assets**26.1** Overview

€m	Internally generated intangible assets	Purchased brand names	Purchased customer lists	Other purchased intangible assets	Goodwill	Advance payments and intangible assets under development	Total
Cost							
Balance at 1 January 2007	1,185	898	1,040	1,828	11,743	130	16,824
Additions to consolidated group	0	11	78	5	296	0	390
Additions	136	0	0	114	121	101	472
Reclassifications	16	0	0	13	0	-39	-10
Disposals	-27	0	-70	-147	-1	-36	-281
Currency translation differences	-12	-51	-62	-40	-389	-3	-557
Balance at 31 December 2007/1 January 2008	1,298	858	986	1,773	11,770	153	16,838
Additions to consolidated group	0	3	54	4	180	0	241
Additions	129	0	0	142	118	74	463
Reclassifications	38	0	0	103	0	-120	21
Disposals	-455	-318	-176	-604	-649	8	-2,194
Currency translation differences	0	-133	-73	-16	-230	-7	-459
Balance at 31 December 2008	1,010	410	791	1,402	11,189	108	14,910
Amortisation and impairment losses/reversals							
Balance at 1 January 2007	582	0	88	1,044	440	18	2,172
Additions to consolidated group	0	0	0	2	0	0	2
Amortisation	146	0	83	261	0	0	490
Impairment losses	54	0	0	30	0	13	97
Reclassifications	-8	0	0	8	0	0	0
Reversal of impairment losses	0	0	0	0	0	0	0
Disposals	-10	0	0	-105	0	0	-115
Currency translation differences	-5	0	7	-35	0	-1	-34
Balance at 31 December 2007/1 January 2008	759	0	178	1,205	440	30	2,612
Additions to consolidated group	0	0	0	1	0	0	1
Amortisation	113	382	90	213	0	0	798
Impairment losses	64	0	0	11	610	4	689
Reclassifications	-1	0	0	-1	0	0	-2
Reversal of impairment losses	-2	0	0	-6	0	0	-8
Disposals	-258	0	-28	-496	-9	0	-791
Currency translation differences	6	0	-22	-1	0	1	-16
Balance at 31 December 2008	681	382	218	926	1,041	35	3,283
Carrying amount at 31 December 2008	329	28	573	476	10,148	73	11,627
Carrying amount at 31 December 2007	539	858	808	568	11,330	123	14,226

Purchased software, concessions, industrial rights, licences and similar rights and assets are reported under purchased intangible assets. Internally generated intangible assets relate to development costs for internally developed software.

The net disposals mainly relate to the reclassification of the balance sheet items of the Deutsche Postbank Group as assets held for sale in accordance with IFRS 5.

The addition in terms of purchased customer lists relates mainly to DHL Logistics China (€56 million – value at the time of purchase price allocation). The BHW customer list recognised in ear-

lier years (previous year: €156 million) was reclassified in the amount of €145 million in accordance with IFRS 5.

Changes in brand names relate to the Exel brand name, which was written down in full in the amount of €382 million, and the reclassification of the BHW brand name (€319 million) in accordance with IFRS 5.

Goodwill additions and/or additions from changes to the consolidated group primarily relate to DHL Logistics China (€31 million) and to Polar Air Cargo (provisional goodwill of €100 million).

26.2 Allocation of goodwill to CGU

€m				
Total goodwill: 10,148 ¹⁾ (previous year: 11,330)				
Segment level / group of CGU				
MAIL	EXPRESS	GLOBAL FORWARDING/FREIGHT	SUPPLY CHAIN/CIS	Discontinued operation FINANCIAL SERVICES
	4,103 (previous year: 3,912)			
CGU level				
MAIL National		Global Forwarding	Supply Chain	FINANCIAL SERVICES
37 (previous year: 30)		3,443 (previous year: 3,326)	1,550 (previous year: 2,147)	0 (previous year: 639)
MAIL International		Freight Europe	Corporate Information Solutions	
543 (previous year: 540)		253 (previous year: 253)	333 (previous year: 597)	

1) Goodwill from reconciliation amounts to €-114 million (previous year: €-114 million).

The structure of the CGU was changed compared with the previous year because the LOGISTICS Division was restructured in March 2008 and allocated between two board departments. As a result, the LOGISTICS Division was dissolved and replaced by the new GLOBAL FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. Due to the new reporting structure, the goodwill attributable to the former LOGISTICS segment was allocated to the affected CGU in the two new logistics segments. For reasons of comparability, the prior-year figure was restated on a pro-forma basis.

At the same time, Corporate Information Solutions (CIS) was allocated to the newly established SUPPLY CHAIN/CIS Division since both CIS and Supply Chain provide customised logistics solutions. In the previous year, CIS was reported in the MAIL International CGU as part of the MAIL Division.

For the purposes of the impairment test carried out annually in accordance with IAS 36, the Group determines the recoverable amount of a CGU on the basis of its value in use. This calculation is based on projections of free cash flow that are first discounted at a rate corresponding to the post-tax cost of capital. Pre-tax discount rates are then determined iteratively.

The cash flow projections are based on management's adopted detailed budgets for EBIT and capital expenditure with a three-year planning horizon (2009 to 2011). The perpetual annuity (value added from 2012 on) is calculated using a long-term growth rate, which is determined for each CGU separately and which is shown in the table below. The growth rate used reflects expectations regarding industry growth for the CGU, but does not exceed the estimated long-term growth rate for the countries with the highest contribution to earnings in the relevant CGU. The cash flow forecasts are based both on historical amounts and the anticipated future general market trend. In addition, the forecasts take into account growth in the respective national business operations and in international trade, and the ongoing trend towards outsourcing logistics activities. Cost estimates for the transportation network and services also have an impact on value in use.

The pre-tax cost of capital is based on the weighted average cost of capital. The (pre-tax) discount rates for the individual CGU and the growth rates assumed in each case for the perpetual annuity are shown in the following table:

%	Discount rates		Growth rates	
	2007	2008	2007	2008
SUPPLY CHAIN/CIS				
Supply Chain	10.4	11.1	3.0	2.5
Corporate Information Solutions	n/a	11.3	n/a	2.0
GLOBAL FORWARDING/FREIGHT				
Freight Europe	11.1	11.1	1.5	2.0
Global Forwarding	10.8	11.2	2.5	2.5
MAIL				
National	11.5	n/a	0.0	n/a
International	10.9	11.4	1.0	1.0
EXPRESS				
	9.9	10.6	2.7	2.5

On the basis of these assumptions and the impairment tests carried out for the individual CGU to which goodwill was allocated, it was established that, with the exception of the CGU in the SUPPLY CHAIN/CIS Division, the recoverable amounts of the CGU exceeded their carrying amounts.

An impairment loss of €436 million was recognised in respect of the Supply Chain CGU as a result of the impairment testing of goodwill as at 31 December 2008. An impairment loss was also recognised for the Corporate Information Solutions (CIS) CGU as at 31 December 2008 in the amount of €174 million. A total impairment

loss of €610 million was therefore determined for the SUPPLY CHAIN/CIS segment, largely caused by the general deterioration in the economic environment in 2008. More unfavourable assumptions of the essential valuation parameters – e. g. a lower EBIT margin, higher cost of capital or lower long-term growth rates – would have resulted in higher impairment losses.

As at 31 December 2008, the MAIL National CGU met all of the criteria set out in IAS 36.99 and a detailed recalculation of the recoverable amount was therefore not required. There is no risk of impairment for this CGU as at 31 December 2008.

27 Property, plant and equipment

27.1 Overview

€m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Aircraft	Vehicle fleet and transport equipment	Advance payments, assets under development	Total
Cost							
Balance at 1 January 2007	7,579	3,901	3,306	1,282	2,006	182	18,256
Additions to consolidated group	42	31	38	56	9	2	178
Additions	358	346	412	117	277	349	1,859
Reclassifications	-75	60	34	-7	14	-137	-111
Disposals	-521	-170	-291	-55	-219	-84	-1,340
Currency translation differences	-115	-92	-68	-26	-41	-7	-349
Balance at 31 December 2007/1 January 2008	7,268	4,076	3,431	1,367	2,046	305	18,493
Additions to consolidated group	46	15	21	0	25	2	109
Additions	141	231	285	94	255	447	1,453
Reclassifications	80	169	42	44	31	-390	-24
Disposals	-2,597	-219	-1,328	-73	-873	-55	-5,145
Currency translation differences	-89	-91	-53	4	-88	-13	-330
Balance at 31 December 2008	4,849	4,181	2,398	1,436	1,396	296	14,556
Depreciation and impairment losses							
Balance 1 January 2007	2,356	2,592	2,478	384	1,066	-8	8,868
Additions to consolidated group	19	22	26	15	4	0	86
Depreciation	255	309	362	126	201	0	1,253
Impairment losses	253	190	47	0	19	6	515
Reversal of impairment losses	0	0	0	0	0	0	0
Reclassifications	-57	33	-5	-7	-2	-1	-39
Disposals	-206	-126	-254	-25	-167	0	-778
Currency translation differences	-37	-47	-50	-10	-22	0	-166
Balance at 31 December 2007/1 January 2008	2,583	2,973	2,604	483	1,099	-3	9,739
Additions to consolidated group	24	12	15	0	11	0	62
Depreciation	208	278	293	164	198	0	1,141
Impairment losses	9	60	21	38	3	3	134
Reversal of impairment losses	-1	0	0	0	0	0	-1
Reclassifications	10	1	-4	2	-3	-5	1
Disposals	-881	-127	-1,152	-65	-827	-1	-3,053
Currency translation differences	-19	-40	-38	1	-45	-2	-143
Balance at 31 December 2008	1,933	3,157	1,739	623	436	-8	7,880
Carrying amount at 31 December 2008	2,916	1,024	659	813	960	304	6,676
Carrying amount at 31 December 2007	4,685	1,103	827	884	947	308	8,754

Advance payments relate only to advance payments on items of property, plant and equipment where the Group has paid advances in connection with uncompleted transactions. Assets under development relate to items of property, plant and equipment in progress at the balance sheet date for whose production internal or third-party costs have already been incurred. Items of property, plant and equipment pledged as collateral amount to less than €1 million as in the prior year.

The net disposals mainly relate to the reclassification of the balance sheet items of the Deutsche Postbank Group as assets held for sale in accordance with IFRS 5.

27.2 Finance leases

The following assets are carried as non-current assets resulting from finance leases:

€m	2007	2008
Intangible assets	2	3
Land and buildings	62	76
Technical equipment and machinery	35	27
Other equipment, operating and office equipment	35	31
Aircraft	491	444
Vehicle fleet and transport equipment	7	11
Finance leases	632	592

The corresponding liabilities from finance leases are included under financial liabilities (see [Note 46](#)).

28 Investment property

€m	2007	2008
Cost		
Balance at 1 January	157	260
Additions to consolidated group	0	0
Additions	20	1
Reclassifications	122	2
Disposals	-37	-219
Currency translation differences	-2	1
Balance at 31 December	260	45
Impairment losses		
Balance at 1 January	35	73
Additions to consolidated group	0	0
Impairment losses	2	1
Changes in fair value	0	0
Reclassifications	39	1
Disposals	-3	-62
Currency translation differences	0	0
Balance at 31 December	73	13
Carrying amount at 31 December	187	32

The change in this balance sheet item is mostly due to the disposal of property by Deutsche Post AG as a result of the sale of the portfolio to the investor Lone Star and to the reclassification of the amounts relating to the Deutsche Postbank Group (previous year: €73 million), which are reported under assets held for sale in accordance with IFRS 5. In financial year 2008, €18 million of investment property related to Exel Inc., USA, and €14 million to Deutsche Post AG (previous year: €99 million). Rental income for this property amounted to €1 million (previous year: €9 million), whilst the related expenses also amounted to €1 million (previous year: €9 million). The fair value amounted to €78 million (previous year: €187 million).

29 Non-current financial assets

€m	2007	2008
Investments in associates	203	61
Other non-current financial assets		
Available-for-sale financial assets	733	427
Held-to-maturity financial assets	10	10
Loans	114	137
Non-current financial assets	1,060	635

Write-downs on other equity investments amounting to €30 million (previous year: €4 million) were included in the income statement because they were impaired.

Compared with the market rates of interest prevailing at 31 December 2008 for comparable financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognised in the balance sheet at a present value of €19 million (previous year: €18 million). The principal amount of these loans totals €24 million (previous year: €25 million). As in the previous year, investments in associates and other investees were not subject to restraints on disposal.

30 Other non-current assets

€m	2007	2008
Pension assets	247	262
Derivatives	27	51
Sureties provided	33	55
Miscellaneous	190	146
Other non-current assets	497	514

The derivatives – interest rate swaps/fair value hedges – primarily relate to bonds issued by Deutsche Post Finance, the Netherlands, and were entered into with external banks. Further information on pension assets can be found in [Note 44](#).

31 Deferred taxes

€m	2007 ¹⁾	2008
Deferred tax assets for German tax loss carryforwards		
of which corporation tax and solidarity surcharge	80	1
of which trade tax	70	1
Deferred tax assets for foreign tax loss carryforwards	77	40
	227	42
Deferred tax assets for temporary differences	813	991
Total deferred tax assets	1,040	1,033
Deferred tax liabilities for temporary differences	1,569	833

1) Prior-year figures restated due to restatement of the Deutsche Postbank Group (see Note 5).

Maturity structure

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2008							
Deferred tax assets for tax loss carryforwards	2	3	0	0	0	37	42
Deferred tax assets for temporary differences	282	95	69	36	36	473	991
Deferred tax liabilities for temporary differences	488	86	41	24	29	165	833
2007							
Deferred tax assets for tax loss carryforwards	10	9	86	84	4	34	227
Deferred tax assets for temporary differences	220	67	38	20	285	183	813
Deferred tax liabilities for temporary differences	12	18	7	417	542	573	1,569

The following deferred tax assets and liabilities for temporary differences result from differences in the carrying amounts of individual balance sheet items:

Deferred taxes for temporary differences

€m	2007		2008	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	72	701	98	294
Property, plant and equipment	17	75	61	38
Non-current financial assets	26	0	47	2
Other non-current assets	14	37	9	29
Receivables and other securities from financial services	414	2,205	0	0
Other current assets	143	10	29	41
Provisions	434	131	338	245
Financial liabilities	4	0	293	1
Liabilities from financial services	1,653	97	0	0
Other liabilities	31	313	167	250
	2,808	3,569	1,042	900
Netting of deferred tax assets and liabilities				
of which for tax loss carryforwards	0	-5	0	-16
of which for temporary differences	-1,995	-1,995	-51	-51
Carrying amount	813	1,569	991	833

No deferred tax assets were recognised for tax loss carryforwards of around €16.3 billion (previous year: €11.7 billion) and for temporary differences of around €696 million (previous year: €1.2 billion), as it can be assumed that the Group will not be able to use these tax loss carryforwards and temporary differences within the framework of tax planning. Most of the loss carryforwards are attributable to Deutsche Post AG. It will be possible to utilise these tax loss carryforwards for an indefinite period of time. For foreign companies, the significant loss carryforwards will not lapse before 2020.

Deferred taxes have not been recognised for temporary differences of €386 million (previous year: €468 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

32 Inventories

Standard costs for inventories of postage stamps and spare parts in freight centres amounted to €12 million (previous year: €12 million). There was no requirement to charge significant valuation allowances on these inventories.

€m	2007	2008
Finished goods and goods purchased and held for resale	59	57
Spare parts for aircraft	6	6
Raw materials and supplies	164	187
Work in progress	18	17
Advance payments	1	2
Inventories	248	269

33 Income tax assets and obligations

All income tax assets are current and have maturities of less than one year.

€m	2007	2008
Income tax assets	312	191
Income tax obligations	473	351

Income tax liabilities and income tax provisions are presented on a combined basis as income tax obligations with retrospective effect for the previous year. Income tax assets amounting to €35 million (previous year: €70 million) and income tax obligations amounting to €92 million (previous year: €55 million) relate to Deutsche Post AG.

34 Receivables and other assets

€m	2007	2008
Trade receivables	6,377	5,591
Prepaid expenses	1,038	676
Current derivatives	52	475
Deferred revenue	558	462
Current tax receivables	461	450
Income from cost absorption	83	71
Receivables from sales of assets	196	56
Creditors with debit balances	63	51
Receivables from insurance business	32	37
Receivables from Group companies	53	34
Receivables from employees	30	29
Rent receivables	17	25
Receivables from loss compensation (recourse claims)	19	17
Receivables from cash on delivery	18	15
Receivables from residential housing construction pools	14	13
Receivables from private postal agencies	7	13
Land rights	22	10
Miscellaneous other assets	766	690
Receivables and other assets	9,806	8,715

The decline in receivables and other assets mainly reflects the reclassification of the amounts relating to the Deutsche Postbank Group as assets held for sale in accordance with IFRS 5.

€341 million of the tax receivables (previous year: €317 million) relates to VAT, €43 million (previous year: €60 million) to customs duties and levies, and €66 million (previous year: €84 million) to other tax receivables. Miscellaneous other assets include a large number of individual items. Further information on derivatives can be found in [Note 51.2 ff.](#)

35 Receivables and other securities from financial services

Receivables and other securities from financial services, which relate exclusively to the Deutsche Postbank Group, are presented in financial year 2008 under assets held for sale and liabilities associated with assets held for sale (see [Note 38](#)).

€m	2007 restated ¹⁾	2008
Loans and advances to other banks (loans and receivables)		
of which fair value hedges: 1,516	24,581	
Loans and advances to customers		
of which secured by land charges: 50,372		
Loans and advances to customers (loans and receivables)		
of which fair value hedges: 1,356	84,133	
Loans and advances to customers (held to maturity)	456	
Loans and advances to customers (fair value option)	7,044	
	91,633	
Allowance for losses on loans and advances		
Loans and advances to other banks	0	
Loans and advances to customers	-1,154	
	-1,154	
Trading assets		
Bonds and other fixed-income securities	4,139	
Held-for-trading building loans held for sale	209	
Equities and other non-fixed-income securities	161	
Positive fair value of trading derivatives	5,155	
Positive fair value of banking book derivatives	131	
Positive fair value of derivatives in connection with underlyings relating to the fair value option	141	
	9,936	
Hedging derivatives (positive fair values)		
Assets	265	
Liabilities	156	
	421	
Investment securities		
Bonds and other fixed-income securities		
Investment securities (loans and receivables)		
of which fair value hedges: 5,447	26,600	
Held to maturity	730	
Available for sale		
of which fair value hedges: 14,633	38,755	
	66,085	
Equities and other non-fixed-income securities		
Available for sale	2,418	
	68,503	
Receivables and other securities from financial services	193,920	0

¹⁾ Prior-year figure restated due to the Deutsche Postbank Group restatement (see Note 5).

In financial year 2007, €65,649 million of the investment securities related to listed securities. Changes in the fair value of unhedged available-for-sale securities were charged to the revaluation reserve in the amount of €-515 million. €24 million reported in the revaluation reserve was reversed to income in financial year 2007 as a result of the disposal of investment securities and the recogni-

tion of impairment losses. In addition, impairment losses of €130 million were recognised in financial year 2007 to reflect developments in the values of financial instruments. Of this amount, €112 million related to structured credit products and €18 million to write-downs in respect of retail funds.

The maturity structure of the receivables and other securities from financial services in financial year 2007 was as follows:

€m	Payable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years	Total
2007	4,534	27,630	17,123	17,979	13,640	12,792	16,349	85,027	195,074

36 Financial instruments

Current financial instruments fell by €22 million year-on-year to €50 million.

37 Cash and cash equivalents

€m	2007	2008
Cash	508	20
Money in transit	920	346
Bank balances	3,061	658
Cash equivalents	46	56
Other cash and cash equivalents	148	270
Cash and cash equivalents	4,683	1,350

The change in this balance sheet item is largely due to the reclassification of assets of the Deutsche Postbank Group in accordance with IFRS 5.

38 Assets held for sale and liabilities associated with assets held for sale

The amounts reported under these items relate mainly to the following matters:

€m	Assets		Liabilities	
	2007	2008	2007	2008
Deutsche Postbank Group	0	231,824	0	227,736
Deutsche Postbank Group – BHW Bank's credit card and sales financing business	565	0	44	0
DHL Express (France) SAS – land/buildings	26	0	0	0
Deutsche Post AG – real estate	18	31	0	0
DHL Supply Chain, Spain – buildings	0	15	0	0
Other	6	2	0	0
Assets held for sale, liabilities associated with assets held for sale	615	231,872	44	227,736

The Deutsche Postbank Group's sale of the credit card and financing business of BHW Bank AG was completed in the first quarter of 2008. The acquirer was Landesbank Berlin. In the third quarter, the IT equipment reported in the course of the period as assets held for sale was reclassified as property, plant and equipment. At the end

of July, it was announced that efforts to outsource the IT infrastructure to Hewlett-Packard Services had been discontinued.

The assets and liabilities of the Deutsche Postbank Group are presented as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5.

Deutsche Postbank Group

€m	31 December 2008
ASSETS	
Intangible assets	1,400
Property, plant and equipment	900
Investment property	73
Non-current financial assets	111
Deferred tax assets	557
Income tax assets	162
Current receivables and other assets	810
Receivables and other securities from financial services	224,394
Cash and cash equivalents	3,417
Total ASSETS	231,824
EQUITY AND LIABILITIES	
Non-current provisions	2,111
Non-current financial liabilities	5,431
Deferred tax liabilities	831
Current provisions	30
Income tax provisions	186
Current financial liabilities	310
Current liabilities	960
Liabilities from financial services	217,877
Total EQUITY AND LIABILITIES	227,736

Further details relating to the financial instruments and the presentation of the risk position of the Deutsche Postbank Group can be found in [Note 51.1](#).

Cumulative income and expense recognised in equity

€m	Equity attributable to Deutsche Post AG shareholders	Minority interest	Total equity
IAS 39 revaluation reserve	-259	-263	-522
Currency translation reserve	-76	-55	-131
	-335	-318	-653

In the third quarter, the Deutsche Postbank Group altered its intention to hold a portion of the bonds in its portfolio as available for sale, and now intends to hold them for the foreseeable future. It has therefore reclassified foreign currency bonds with a principal amount of €1.6 billion from the available-for-sale category to the loans-and-receivables category at a fair value of €1.5 billion with effect from 1 July 2008 in accordance with IAS 39.50E. Furthermore, the Deutsche Postbank Group has reclassified a portfolio consisting primarily of foreign government, bank and corporate bonds with a principal amount of €33.2 billion from the available-for-sale category to the loans-and-receivables category at a fair value of €32.9 billion with effect from 1 October 2008.

As at 31 December 2008, all reclassified bonds had a fair value of €35.8 billion and a carrying amount of €35.8 billion (reclassification was not allowed in the prior year). Prior to their dates of reclassification, the changes in fair value recognised in the revaluation reserve for the bonds that were reclassified amounted to €-405 million (previous year: €-358 million). Had the Deutsche Postbank Group not

changed its intention to hold the bonds as available for sale, the fair value reserve would have been reduced by a further €97 million by 31 December 2008.

Given a nominal weighting of the reclassified bonds, the effective interest rate calculated on the basis of their restated cost as at the date of reclassification was 4.30%. The estimated cash flows that Postbank anticipates as at the reclassification date amount to €44.9 billion. As at 31 December 2008, there was no impairment identified for the reclassified bonds. No bonds were sold.

The Deutsche Postbank Group had irrevocable loan commitments amounting to €23,205 million (previous year: €23,480 million) and guarantee obligations of €1,296 million (previous year: €1,428 million).

39 Issued capital**39.1 Share capital**

KfW Bankengruppe (KfW), formerly Kreditanstalt für Wiederaufbau, owns approximately 30.5% of the share capital of Deutsche Post AG. The percentage of free-floating shares amounts to 69.5%.

Number of shares	2007	2008
KfW	368,277,358	368,277,358
Free float	839,193,240	840,738,516
Share capital as at 31 December	1,207,470,598	1,209,015,874

39.2 Issued capital

The issued capital increased by €2 million in financial year 2008 from €1,207 million to €1,209 million. It is now composed of 1,209,015,874 no-par value registered shares (ordinary shares), with each individual share having a notional interest of €1 in the share capital. The increase in issued capital is attributable to the servicing of stock options from the 2003 Stock Option Plan.

Development of issued capital

€	2007	2008
As at 1 January	1,202,319,860	1,207,470,598
Exercise of options from 2002, 2003, 2004 SOP tranches – contingent capital	5,150,738	1,545,276
As at 31 December	1,207,470,598	1,209,015,874

Capital as at 31 December 2008

	Amount (thousands of €)	Purpose
2005 authorised capital	174,796	To increase share capital against non-cash contributions
Contingent Capital II	2,727	2003 Executive Stock Option Plan
Contingent Capital III	56,000	Exercise of option/conversion rights

39.3 Authorisation to acquire own shares

By way of a resolution adopted by the Annual General Meeting on 6 May 2008, the company is authorised to acquire, until 31 October 2009, own shares of up to a total of 10% of the share capi-

tal existing at the date the resolution is adopted. The authorisation permits the Board of Management to exercise it for any purpose authorised by law, particularly to pursue the goals mentioned in the resolution of the Annual General Meeting. Deutsche Post AG did not hold any own shares on 31 December 2008.

39.4 Disclosures on corporate capital (Postbank at equity)

The equity ratio stood at 23.8% in financial year 2008 (previous year: 31.4%). Corporate capital is controlled by the net gearing ratio which is defined as net debt divided by the total of equity and net debt. The ratio in 2008 was 23.3% (previous year: 20.4%). All ratios are based on Postbank being carried at equity.

€m	2007 restated ¹⁾	2008
Aggregate financial liabilities	4,978	4,097
Less financial instruments	-74	-50
Less cash and cash equivalents	-1,339	-1,350
Less long-term deposits	-456	-256
Less financial liabilities to minority shareholders of Williams Lea	-251	-29
Net debt	2,858	2,412
Plus total equity	11,181	7,937
Total equity plus net debt	14,039	10,349
Net gearing ratio in %	20.4	23.3

1) Prior-year figure restated due to Deutsche Postbank Group restatement.

40 Other reserves

€m	2007	2008
Capital reserve	2,119	2,142
Revaluation reserve in accordance with IAS 39	-251	-254
Hedging reserve in accordance with IAS 39	-96	-60
Revaluation reserve in accordance with IFRS 3	0	8
Currency translation reserve	-897	-1,397
Other reserves	875	439

40.1 Capital reserve

€m	2007	2008
Capital reserve as at 1 January	2,037	2,119
Additions	82	23
of which exercise of stock option plans	68	19
of which issuance of stock option plans	14	4
Capital reserve as at 31 December	2,119	2,142

The measurement of the 2003 Stock Option Plan resulted in staff costs for the stock options in the amount of €4 million in financial year 2008 (previous year: €14 million); this amount was charged to capital reserves. Further details of the stock option plans can be found in [Note 55](#).

40.2 Revaluation reserve in accordance with IAS 39

The revaluation reserve contains gains and losses from changes in the fair values of available-for-sale financial instruments that have been taken directly to equity. This reserve is reversed to income either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls permanently below their cost.

€m	2007	2008
As at 1 January	36	-251
Currency translation differences	-1	2
Additions (+)/disposals (-)	-438	-495
Deferred taxes recognised directly in equity	88	29
Changes in consolidated group	3	11
Reversed to income	61	450
Revaluation reserve in accordance with IAS 39 as at 31 December	-251	-254

In financial year 2008, available-for-sale financial instruments in the amount of €450 million (previous year: €61 million) were reversed to income, whilst the reserve was reduced by €495 million (previous year: €438 million) as a result of the remeasurement of available-for-sale financial instruments. The revaluation reserve relates almost entirely to gains or losses on the fair value remeasurement of financial instruments of the Deutsche Postbank Group.

40.3 Hedging reserve in accordance with IAS 39

The hedging reserve is adjusted by the effective portion of a cash flow hedge. The hedging reserve is released to income when the hedged item is settled.

€m	2007	2008
As at 1 January	-94	-96
Additions	-42	-126
Disposals	40	162
Hedging reserve in accordance with IAS 39 as at 31 December	-96	-60

The change in the hedging reserve is mainly the result of the increase in unrealised gains from hedging future operating currency transactions. In the financial year, unrealised and realised losses of €148 million were taken from the hedging reserve and recognised in operating profit, and unrealised and realised profits of €5 million were recognised in net finance costs/net financial income. Deferred taxes also affected the hedging reserve.

40.4 Revaluation reserve in accordance with IFRS 3

€m	2007	2008
As at 1 January	0	0
Changes not recognised in income	0	8
Revaluation reserve in accordance with IFRS 3 as at 31 December	0	8

The revaluation reserve contains €8 million of hidden reserves from the Sinotrans purchase price allocation which were attributable to shares already purchased in previous years. They relate to the customer relationships included in the previous 50% interest in the amount of €12 million and to €4 million of adjustments to deferred taxes.

40.5 Currency translation reserve

The currency translation reserve includes the translation gains and losses generated when consolidating subsidiaries accounted for in foreign currency.

€m	2007	2008
As at 1 January	-451	-897
Changes not recognised in income	-446	-500
Currency translation reserve as at 31 December	-897	-1,397

The change is due to the decrease in exchange rates for major foreign currencies.

41 Retained earnings

Retained earnings contain the undistributed consolidated profits generated in prior periods. Changes in the reserves during the financial year are also presented in the statement of changes in equity.

€m	2007 restated ¹⁾	2008
As at 1 January	8,473	8,953
Dividend payment	-903	-1,087
Consolidated net profit or loss for the period	1,383	-1,688
Retained earnings as at 31 December	8,953	6,178

1) Prior-year figure restated due to Deutsche Postbank Group restatement.

42 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2008 amounted to €7,826 million (previous year: €11,035 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the unappropriated surplus of €1,093 million reported in the annual financial statements of Deutsche Post AG prepared in accordance with the German commercial code. The amount of €368 million remaining after deduction of the planned total dividend of €725 million will be carried forward.

A dividend of €1,087 million was paid for financial year 2007 and €251 million was transferred to retained earnings. The dividend is tax-exempt for shareholders resident in Germany. No capital gains tax (investment income tax) will be withheld on the distribution.

43 Minority interest

Minority interest includes adjustments for the interests of non-Group shareholders in the consolidated equity from acquisition accounting, as well as their interests in profit and loss. The interests relate primarily to the following companies:

€m	2007 restated ¹⁾	2008
Deutsche Postbank Group	2,633	1,914
DHL Sinotrans International Air Courier Ltd., China	60	67
Other companies	85	45
Minority interest	2,778	2,026

1) Prior-year figure restated due to Deutsche Postbank Group restatement.

44 Provisions for pensions and other employee benefits

The information below on pension obligations is broken down into the following areas: Germany (excluding Postbank), UK (excluding Postbank), Other (excluding Postbank) and the Deutsche Postbank Group. The Deutsche Postbank Group disclosures are presented in their entirety as at 31 December 2008 with the respective amounts then being reclassified in a separate line in accordance with IFRS 5.

44.1 Provisions for pensions and other employee benefits by area

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
31 December 2008					
Provisions for pensions and other employee benefits	4,299	183	203	1,149	5,834
Pension assets	0	-120	-142	0	-262
Net pension provisions	4,299	63	61	1,149	5,572
Reclassification in accordance with IFRS 5	0	0	0	-1,149	-1,149
Net pension provisions	4,299	63	61	0	4,423
31 December 2007					
Provisions for pensions and other employee benefits	4,383	267	196	1,143	5,989
Pension assets	0	-127	-120	0	-247
Net pension provisions	4,383	140	76	1,143	5,742

44.2 Actuarial assumptions

The majority of the Group's defined benefit obligations relate to plans in Germany and the UK. In addition, significant pension

plans are provided in other euro zone countries, Switzerland and the US. The actuarial measurement of the main benefit plans was based on the following assumptions:

%	Germany	United Kingdom	Other euro zone	Switzerland	US
31 December 2008					
Discount rate	5.75	6.50	5.75	2.75	6.00
Future salary increase	2.50	3.00-4.75	2.00-4.00	3.00	4.00
Future inflation rate	2.00	3.25	2.00	1.50	2.50
31 December 2007					
Discount rate	5.50	5.75	5.50	3.25	6.00
Future salary increase	2.50	3.00-4.75	2.00-4.00	3.00	3.75
Future inflation rate	2.00	3.25	2.00	1.50	2.50

For the German Group companies, longevity was calculated using the *Richttafeln 2005 G* mortality tables published by Klaus Heubeck. For the British benefit plans, longevity was based on the mortality rates used in the last funding valuation. These are based

on mortality analyses specific to the plan and include a premium for an expected increase in future life expectancy. Other countries used their own mortality tables.

44.3 Computation of expenses for the period

The following average expected return on plan assets was used to compute the expenses for the period:

%	Germany	United Kingdom	Other euro zone	Switzerland	US
2008					
Average expected return on plan assets	3.75-4.25	4.50-7.25	5.00-7.00	4.25	7.50
2007					
Average expected return on plan assets	3.25-4.25	4.50-7.25	5.00-7.00	4.25	7.50

The expected return on plan assets was determined by taking into account current long-term rates of return on bonds (government and corporate) and then applying to these rates a suitable risk

premium for other asset classes based on historical market returns and current market expectations.

44.4 Reconciliation of the present value of the obligation, the fair value of plan assets and the pension provision

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
2008					
Present value of defined benefit obligations at 31 December for wholly or partly funded benefits	3,558	2,677	1,301	660	8,196
Present value of defined benefit obligations at 31 December for unfunded benefits	3,123	7	187	733	4,050
Present value of total defined benefit obligations at 31 December	6,681	2,684	1,488	1,393	12,246
Fair value of plan assets at 31 December	-1,992	-2,594	-1,257	-392	-6,235
Unrecognised net gains (+)/losses (-)	-388	-28	-171	148	-439
Unrecognised past service cost	-2	0	0	0	-2
Asset adjustment for asset limit	0	1	1	0	2
Net pension provisions at 31 December	4,299	63	61	1,149	5,572
Pension assets at 31 December	0	120	142	0	262
Provisions for pensions and other employee benefits at 31 December	4,299	183	203	1,149	5,834
Reclassification in accordance with IFRS 5	0	0	0	-1,149	-1,149
Provisions for pensions and other employee benefits at 31 December	4,299	183	203	0	4,685
2007					
Present value of defined benefit obligations at 31 December for wholly or partly funded benefits	3,686	3,743	1,250	698	9,377
Present value of defined benefit obligations at 31 December for unfunded benefits	3,237	9	177	729	4,152
Present value of total defined benefit obligations at 31 December	6,923	3,752	1,427	1,427	13,529
Fair value of plan assets at 31 December	-1,914	-4,048	-1,418	-392	-7,772
Unrecognised net gains (+)/losses (-)	-622	435	26	108	-53
Unrecognised past service cost	-4	0	0	0	-4
Asset adjustment for asset limit	0	1	41	0	42
Net pension provisions at 31 December	4,383	140	76	1,143	5,742
Pension assets at 31 December	0	127	120	0	247
Provisions for pensions and other employee benefits at 31 December	4,383	267	196	1,143	5,989

44.5 Changes in the present value of total defined benefit obligations

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
2008					
Present value of total defined benefit obligations at 1 January	6,923	3,752	1,427	1,427	13,529
Current service cost, excluding employee contributions	77	65	52	25	219
Employee contributions	14	21	13	3	51
Interest cost	366	197	70	78	711
Benefit payments	-504	-163	-74	-84	-825
Past service cost	29	-12	1	-2	16
Curtailments	0	0	-14	0	-14
Settlements	0	0	0	0	0
Transfers	19	38	-4	-1	52
Acquisitions/divestitures	0	0	-5	0	-5
Actuarial gains (-)/losses (+)	-243	-335	-15	-53	-646
Currency translation effects	0	-879	37	0	-842
Present value of total defined benefit obligations at 31 December	6,681	2,684	1,488	1,393	12,246
Reclassification in accordance with IFRS 5	0	0	0	-1,393	-1,393
Present value of total defined benefit obligations at 31 December	6,681	2,684	1,488	0	10,853
2007					
Present value of total defined benefit obligations at 1 January	7,899	4,198	1,511	1,597	15,205
Current service cost, excluding employee contributions	105	102	58	34	299
Employee contributions	0	22	13	0	35
Interest cost	339	206	59	72	676
Benefit payments	-490	-194	-69	-71	-824
Past service cost	-40	1	4	-14	-49
Curtailments	-26	0	-43	0	-69
Settlements	0	0	-19	0	-19
Transfers	5	0	23	4	32
Acquisitions	2	37	6	16	61
Actuarial gains (-)/losses (+)	-871	-257	-76	-210	-1,414
Currency translation effects	0	-363	-40	-1	-404
Present value of total defined benefit obligations at 31 December	6,923	3,752	1,427	1,427	13,529

44.6 Changes in the fair value of plan assets

€m	Germany	United Kingdom	Other	Deutsche Postbank Group	Total
2008					
Fair value of plan assets at 1 January	1,914	4,048	1,418	392	7,772
Employer contributions	215	56	44	7	322
Employee contributions	0	21	13	0	34
Expected return on plan assets	74	243	82	16	415
Gains (+)/losses (-) on plan assets	-8	-760	-273	-6	-1,047
Benefit payments	-203	-162	-62	-17	-444
Transfers	0	36	0	0	36
Acquisitions	0	0	0	0	0
Settlements	0	0	-11	0	-11
Currency translation effects	0	-888	46	0	-842
Fair value of plan assets at 31 December	1,992	2,594	1,257	392	6,235
Reclassification in accordance with IFRS 5	0	0	0	-392	-392
Fair value of plan assets at 31 December	1,992	2,594	1,257	0	5,843
2007					
Fair value of plan assets at 1 January	1,852	4,177	1,374	381	7,784
Employer contributions	200	67	45	16	328
Employee contributions	0	22	13	0	35
Expected return on plan assets	71	272	79	17	439
Gains (+)/losses (-) on plan assets	-10	62	-11	-7	34
Benefit payments	-199	-193	-53	-26	-471
Transfers	0	0	17	1	18
Acquisitions	0	26	0	11	37
Settlements	0	0	-12	0	-12
Currency translation effects	0	-385	-34	-1	-420
Fair value of plan assets at 31 December	1,914	4,048	1,418	392	7,772

Due to the crisis on the financial markets all other plans – mainly with the exception of the German benefit plans – generated a negative return in 2008; the total return (before exchange losses) was at approximately -8% (around €630 million). Exchange losses in the British benefit plans in particular reduced the plan assets expressed in euros additionally by around 11% (around €840 million). An equally large gain is, however, recognised on the benefit obligations.

The plan assets are composed of fixed-income securities (33%; previous year: 32%), equities and investment funds (28%; previous year: 36%), real estate (20%; previous year: 16%), cash and cash equivalents (11%; previous year: 9%), insurance contracts (6%; previous year: 5%) and other assets (2%; previous year: 2%). 84% of the real estate (previous year: 81%) has a fair value of €1,041 million (previous year: €1,040 million) and is owner-occupied by Deutsche Post AG.

44.7 Funded status

The funded status is recognised with the amounts of the Deutsche Postbank Group included.

€m	2005 Total	2006 Total	2007 Total	2008 Total
Present value of defined benefit obligations at 31 December	14,501	15,205	13,529	12,246
Fair value of plan assets at 31 December	-7,049	-7,784	-7,772	-6,235
Funded status	7,452	7,421	5,757	6,011

Excluding the amounts of the Deutsche Postbank Group would result in a present value of defined benefit obligations of €10,853 million as at 31 December 2008, a fair value of plan assets of €5,843 million and a funded status of €5,010 million in total.

44.8 Gains and losses

The gains and losses are recognised with the amounts of the Deutsche Postbank Group included.

€m	2005 Total	2006 Total	2007 Total	2008 Total
Actual return on plan assets	187	448	473	-632
Expected return on plan assets	129	391	439	415
Experience gains (+)/losses (-) on plan assets	58	57	34	-1,047

Excluding the amounts of the Deutsche Postbank Group would result in an actual return on plan assets of €-642 million for financial year 2008 (previous year: €463 million), an expected return on plan assets of €399 million (previous year: €422 million) and experience gains (+)/losses (-) on plan assets of €-1,041 million (previous year: €41 million).

The total actuarial gains and losses on defined benefit obligations are recognised with the amounts of the Deutsche Postbank Group included.

€m	2005 Total	2006 Total	2007 Total	2008 Total
Experience gains (+)/losses (-) on defined benefit obligations	12	-226	116	11
Gains (+)/losses (-) on defined benefit obligations arising from changes in assumptions	-1,080	488	1,298	635
Total actuarial gains (+)/losses (-) on defined benefit obligations	-1,068	262	1,414	646

Excluding the amounts of the Deutsche Postbank Group would result, in financial year 2008, in experience gains on defined benefit obligations of €11 million (previous year: €83 million), gains on defined benefit obligations of €582 million arising from changes in assumptions (previous year: €1,121 million) and €593 million of total actuarial gains on defined benefit obligations (previous year: €1,204 million).

44.9 Changes in net pension provisions

€m				Deutsche Postbank Group	Total
	Germany	United Kingdom	Others		
2008					
Net pension provisions at 1 January	4,383	140	76	1,143	5,742
Pension expense	399	3	57	78	537
Benefit payments	-301	-1	-12	-67	-381
Employer contributions	-215	-56	-44	-7	-322
Employee contributions	14	0	0	3	17
Acquisitions/divestitures	0	0	-5	0	-5
Transfers	19	2	-4	-1	16
Currency translation effects	0	-25	-7	0	-32
Net pension provisions at 31 December	4,299	63	61	1,149	5,572
Reclassification in accordance with IFRS 5	0	0	0	-1,149	-1,149
Net pension provisions at 31 December	4,299	63	61	0	4,423
2007					
Net pension provisions at 1 January	4,524	174	125	1,115	5,938
Pension expense	343	39	-1	81	462
Benefit payments	-291	-1	-16	-45	-353
Employer contributions	-200	-67	-45	-16	-328
Employee contributions	9	0	0	3	12
Acquisitions	2	11	6	5	24
Transfers	-4	0	6	0	2
Currency translation effects	0	-16	1	0	-15
Net pension provisions at 31 December	4,383	140	76	1,143	5,742

Payments amounting to €583 million are expected with regard to net pension provisions in 2009 (€275 million of this relates to the Group's expected direct pension payments and €308 million to expected employer contributions to pension funds, excluding the Deutsche Postbank Group).

44.10 Pension expense

€m	Germany	United Kingdom	Others	Deutsche Postbank Group	Total
2008					
Current service cost, excluding employee contributions	77	65	52	25	219
Interest cost	366	197	70	78	711
Expected return on plan assets	-74	-243	-82	-16	-415
Recognised past service cost	31	-12	1	-2	18
Recognised actuarial gains (-)/losses (+)	-1	-4	42	-7	30
Effects of curtailments	0	0	16	0	16
Effects of settlements	0	0	0	0	0
Effects of asset limit	0	0	-42	0	-42
Pension expense	399	3	57	78	537
Pension expense from discontinued operations	0	0	0	-78	-78
Pension expense from continuing operations	399	3	57	0	459
2007					
Current service cost, excluding employee contributions	105	102	58	34	299
Interest cost	339	206	59	72	676
Expected return on plan assets	-71	-272	-79	-17	-439
Recognised past service cost	-39	1	4	-14	-48
Recognised actuarial gains (-)/losses (+)	42	2	-2	5	47
Effects of curtailments	-33	0	-39	0	-72
Effects of settlements	0	0	-8	1	-7
Effects of asset limit	0	0	6	0	6
Pension expense	343	39	-1	81	462
Pension expense from discontinued operations	0	0	0	-81	-81
Pension expense from continuing operations	343	39	-1	0	381

In accordance with IAS 19.92, actuarial gains and losses are recognised only to the extent that they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets. The excess amount is spread over the expected remaining working lives of active employees and recognised in the income statement.

45 Other provisions

€m	2007	2008
Other provisions, of which non-current: 2,511 (previous year: 3,015)	4,718	5,318

45.1 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Postage stamps	Miscellaneous provisions	Total
As at 1 January 2008	1,469	360	489	500	1,900	4,718
Changes in consolidated group	0	-5	0	0	7	2
Utilisation	-610	-205	-68	-500	-1,155	-2,538
Currency translation differences	-3	-19	-30	0	-68	-120
Reversal	-28	-59	0	0	-211	-298
Interest cost added back	42	5	2	0	8	57
Reclassification	-40	-54	0	0	-917	-1,011
Additions	452	1,924	104	500	1,528	4,508
As at 31 December 2008	1,282	1,947	497	500	1,092	5,318

The provision for other employee benefits primarily covers workforce reduction expenses (severance payments, transitional benefits, partial retirement, etc.).

The restructuring provisions comprise all expenses resulting from the restructuring measures within the us express business as well as in other areas of the Group. These are measures which relate primarily to termination benefit obligations to employees (partial retirement programmes, transitional benefits) and expenses from the closure of terminals, for instance.

The technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR reserves; further details can be found in [Note 7](#).

The provision for postage stamps covers outstanding obligations to customers for mail and parcel deliveries from postage stamps sold but still unused by customers, and is based on studies by market research companies. It is measured at the nominal value of the stamps issued.

45.2 Miscellaneous provisions

€m	2007	2008
Tax provisions	256	328
Litigation costs	84	117
Risks from business activities	141	95
Postal Civil Service Health Insurance Fund	97	31
Welfare benefits for civil servants	29	25
Staff-related provisions	25	22
Home savings business (Deutsche Postbank Group)	710	0
Other provisions	558	474
Miscellaneous provisions	1,900	1,092

The decrease in miscellaneous provisions mainly results from reclassifying the amounts of the Deutsche Postbank Group in accordance with IFRS 5.

Of the tax provisions, €227 million (previous year: €133 million) are accounted for by VAT, €15 million (previous year: €27 million) by customs and duties and €86 million (previous year: €96 million) by other tax provisions.

Risks from business activities comprise obligations such as expected losses and warranty obligations. Miscellaneous other provisions include a large number of individual items, none of which exceeds €30 million.

45.3 Maturity structure

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2008							
Other employee benefits	276	219	166	112	126	383	1,282
Restructuring provisions	1,045	71	44	27	510	250	1,947
Technical reserves (insurance)	186	73	17	15	15	191	497
Postage stamps	500	0	0	0	0	0	500
Miscellaneous provisions	800	61	52	21	14	144	1,092
	2,807	424	279	175	665	968	5,318
2007							
Other employee benefits	299	242	191	187	135	415	1,469
Restructuring provisions	161	121	31	24	14	9	360
Technical reserves (insurance)	144	81	19	17	16	212	489
Postage stamps	500	0	0	0	0	0	500
Miscellaneous provisions	599	540	190	125	101	345	1,900
	1,703	984	431	353	266	981	4,718

46 Financial liabilities

Financial liabilities represent all interest-bearing obligations of the Group not classified as liabilities from financial services.

The decrease in financial liabilities mainly results from reclassifying the subordinated debt of the Deutsche Postbank Group as liabilities associated with assets held for sale in accordance with IFRS 5.

€m	2007	2008
Bonds, of which non-current: 2,019 (previous year: 1,950)	1,952	2,019
Due to banks, of which non-current: 450 (previous year: 616)	978	1,080
Finance lease liabilities, of which non-current: 499 (previous year: 551)	625	531
Liabilities to Group companies, of which non-current: 121 (previous year: 42)	65	184
Other financial liabilities, of which non-current: 229 (previous year: 5,466)	6,561	283
Financial liabilities, of which non-current: 3,318 (previous year: 8,625)	10,181	4,097

46.1 Bonds

The following table contains further details on the company's major bonds.

Bonds

	Nominal coupon	Issue volume	Issuer	2007		2008	
				Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2002/2012	5.125%	€679 million	Deutsche Post Finance B.V.	677	686	712	710
Bond 2003/2014	4.875%	€926 million	Deutsche Post Finance B.V.	952	916	958	933

The bonds issued by Deutsche Post Finance B.V. are fully guaranteed by Deutsche Post AG.

46.2 Due to banks

The following table contains the terms and conditions of significant individual contracts reported under amounts due to banks:

Terms and conditions

	Bank	Interest rate	End of term	Carrying amount 2007 €m	Carrying amount 2008 €m
Deutsche Post International B.V., Netherlands	European Investment Bank Luxembourg	4.923	12/2011	112	117
Deutsche Post International B.V., Netherlands	European Investment Bank Luxembourg	3-month floater	06/2011	57	40
Deutsche Post International B.V., Netherlands	European Investment Bank Luxembourg	5.81	02/2011	34	19
Deutsche Post AG, Germany	DZ Bank	4.565	12/2010	200	200
Deutsche Post AG, Germany	SEB AG	3.100	01/2009	0	249
				403	625

The above-mentioned liabilities due to banks are fully guaranteed by Deutsche Post AG.

46.3 Liabilities from finance leases

Finance lease liabilities mainly relate to the following items:

Liabilities from finance leases

€m						
	Leasing partner	Interest rate	Maturity	Asset	2007	2008
DHL Aviation (Netherlands B.V.) (formerly DHL Operations B.V., Netherlands)	Barclays Mercantile Business Financing Limited, London	3.745%	2027/2028	16 aircraft	382	289
Deutsche Post AG, Germany	T-Systems Enterprise Services GmbH, Germany	–	2011	IT equipment	33	13

The leased assets are recognised in property, plant and equipment at carrying amounts of €592 million (previous year: €632 million). The difference between the carrying amounts of the assets

and the liabilities results from longer economic useful lives of the assets compared with a shorter repayment period for the rental. The notional amount of the minimum lease payments totals €869 million (previous year: €1,084 million).

Maturity structure

€m	Present value		Minimum lease payments	
	Liabilities from finance leases		Notional amount	
	2007	2008	2007	2008
Less than 1 year	74	32	78	34
1 to 5 years	137	137	182	168
More than 5 years	414	362	824	667
Total	625	531	1,084	869

46.4 Other financial liabilities

€m				
			2007	2008
Loan notes due to Exel's former shareholders	Deutsche Post AG		126	77
Loan from Deutsche-Post-Betriebsrenten-Service e.V.	Deutsche Post AG		347	0
Loans from Bundes-Pensions-Service für Post und Telekommunikation	Deutsche Post AG		42	0
Subordinated debt	Deutsche Postbank Group		5,603	0
Miscellaneous financial liabilities	Other Group companies		443	206
Other financial liabilities			6,561	283

47 Other liabilities

€m	2007	2008
Other liabilities, of which non-current: 367 (previous year: 361)	5,462	5,112

47.1 Breakdown of other liabilities

€m	2007	2008
Tax liabilities	841	672
Derivatives, of which non-current: 103 (previous year: 97)	157	652
Compensated absences	420	440
Incentive bonuses	391	430
Payable to employees and members of executive bodies	486	345
Deferred income, of which non-current: 48 (previous year: 41)	453	313
Wages, salaries, severance	312	244
Liabilities from the sale of residential building loans, of which non-current: 113 (previous year: 106)	234	222
Social security liabilities	223	195
Debtors with credit balances	71	95
Overtime claims	98	93
Accrued interest	59	58
Other compensated absences	65	57
COD liabilities	78	51
Liabilities to Group companies	69	37
Insurance liabilities	41	29
Liabilities from cheques issued	8	20
Accrued rentals	25	20
Accrued insurance premiums for damages and similar liabilities	17	18
Liabilities for damages, of which non-current: 3 (previous year: 2)	20	17
Other liabilities to customers	5	2
Liabilities from defined contribution pension plans	5	0
Settlement offered to BHW minority shareholders	39	0
Liabilities from commissions and premiums	43	0
Liabilities to Bundes-Pensions-Service für Post und Telekommunikation e.V.	4	0
Miscellaneous other liabilities, of which non-current: 100 (previous year: 115)	1,298	1,102
Other liabilities	5,462	5,112

The increase in the derivatives' fair value mainly results from exchange rate fluctuations and an increase in the portfolio's volume. Further details on derivatives can be found in [Note 51.2](#).

Of the tax liabilities, €349 million (previous year: €341 million) are accounted for by VAT, €199 million (previous year: €181 million) by customs and duties and €124 million (previous year: €319 million) by other tax liabilities.

The liabilities from the sale of residential building loans relate to obligations of Deutsche Post AG to pay interest subsidies to borrowers to offset the deterioration in borrowing terms in conjunction with the assignment of receivables in previous years as well as pass-through obligations from repayments of principal and interest for residential building loans sold.

Miscellaneous other liabilities include a large number of individual items.

47.2 Maturity structure

€m	2007	2008
Less than 1 year	5,101	4,745
1 to 2 years	128	44
2 to 3 years	20	52
3 to 4 years	30	54
4 to 5 years	36	85
More than 5 years	147	132
Maturity structure of other liabilities	5,462	5,112

Short maturities or market interest rates means that there are no significant differences between the carrying amounts and fair value of primary financial instruments. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

48 Trade payables

€954 million of the trade payables amounting to €4,980 million (previous year: €5,384 million) relate to Deutsche Post AG (previous year: €930 million). Trade payables primarily have a maturity of less than one year. The reported carrying amount of trade payables corresponds to their fair value.

49 Liabilities from financial services

In financial year 2008, liabilities from financial services, which solely relate to the Deutsche Postbank Group, are recognised under assets classified as held for sale and under liabilities associated with assets held for sale (see [Note 38](#)).

Liabilities from financial services

€m	2007	2008
Deposits from other banks	61,146	
of which payable on demand: 3,292		
of which fair value hedges: 783		
Due to customers	110,616	
of which payable on demand: 26,589		
of which fair value hedges: 4,542		
Securitised liabilities	9,558	
of which fair value hedges: 5,797		
Trading liabilities		
Negative fair values of trading derivatives	4,955	
Negative fair values of banking book hedging derivatives	330	
Negative fair values of derivatives in connection with underlyings relating to the fair value option	308	
Delivery obligations for short sales of securities	1	
	5,594	
Hedging derivatives (negative fair values)	873	
Liabilities from financial services	187,787	0

The maturity structure of liabilities from financial services for financial year 2007 is as follows:

€m	Payable on demand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2007	29,802	88,244	13,067	8,547	4,115	4,829	7,391	31,792	187,787

Cash flow disclosures

50 Cash flow disclosures

The cash flow statement for continuing operations is prepared in accordance with IAS 7 (Cash Flow Statements) and discloses the cash flows in order to present the source and application of cash and cash equivalents. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents are composed of cash, cheques and bank balances with a maturity of not more than three months, and correspond to the cash and cash equivalents reported on the balance sheet. The effects of currency translation and changes in the consolidated group are adjusted when calculating cash and cash equivalents. Since the Deutsche Postbank Group no longer forms part of continuing operations, the changes in cash and cash equivalents from the individual activities at the Deutsche Postbank Group were reported separately.

To enhance the clarity of the cash flow statement, its structure was changed. Proceeds from divestitures and cash paid to acquire investments in companies now only include fully or proportionally consolidated companies. Accordingly, the line items were renamed proceeds from disposal of and cash paid to acquire subsidiaries and other business units. The other non-current assets item was split into two new items. Cash receipts and payments are now reported sepa-

rately for property, plant and equipment and intangible assets and for other non-current financial assets. The latter item also includes inflows and outflows from companies accounted for at equity. The dividend received from Deutsche Postbank AG is now recognised separately under net cash from/used in investing activities. Proceeds from and cash paid to acquire foreign currency derivatives were extracted from the interest received or interest paid items and reclassified to other financing activities. Financial liabilities were split into current and non-current financial liabilities, non-current financial liabilities being further subdivided into borrowing and repayment. The prior-year figures were restated accordingly.

50.1 Net cash from operating activities

Cash flows from operating activities are calculated by adjusting net profit before taxes for net finance costs/net financial income and non-cash factors, as well as taxes paid, changes in provisions and changes in other assets and liabilities (net profit before changes in working capital). Adjustments for changes in working capital (excluding financial liabilities) result in net cash from or used in operating activities. Net cash from operating activities can be broken down into net cash from operating activities before changes in working capital and net cash from changes in working capital.

Net cash from operating activities before changes in working capital (continuing operations) amounts to €2,729 million, thus being largely on the previous year's level (€2,849 million). EBIT was impacted in particular by higher non-cash additions to provisions. In addition, EBIT was reduced by non-cash impairment losses recognised on goodwill and intangible assets which were added back in the depreciation/amortisation of non-current assets item. The €572 million cash repayment from state aid proceedings had an offsetting effect. The reduction in working capital in particular resulted in a higher cash inflow from operating activities. The reduction of receivables and other assets was a main contributor to this development. Overall, net cash from operating activities (continuing operations) increased by €554 million year-on-year to €3,362 million. A cash outflow from operating activities of €1,423 million was reported for discontinued operations (previous year: cash inflow of €2,343 million).

Non-cash income and expense

€m	31 December 2007 restated ¹⁾	31 December 2008
Expense from remeasurement of assets	54	153
Income from remeasurement of liabilities	-26	-4
Staff costs relating to stock option plan	14	4
Other	5	64
Other non-cash income and expense	47	217

1) Presentation of the Deutsche Postbank Group differs (see Notes 3 and 5).

50.2 Net cash used in investing activities

Cash flows from investing activities mainly result from cash received from disposals of non-current assets and cash paid for investments in non-current assets. Net cash in the amount of €914 million was used in investing activities in the year under review, thus falling by €396 million below the previous year's amount (previous year: €1,310 million).

Proceeds from disposal of non-current assets increased in particular because of the sale of a real estate portfolio to US investor Lone Star (€942 million). Cash paid to acquire non-current assets also rose from €2,343 million in the previous year to €3,169 million in the year under review. This is due to Deutsche Post AG's share in Deutsche Postbank AG's capital increase, which is reflected in an increase in cash paid for subsidiaries and other business units. Furthermore, cash was paid to acquire Flying Cargo (€65 million) and to acquire shares in the companies Williams Lea (€220 million) and DHL Logistics (China) Co. Ltd. (€61 million). Of the increase in interest received, €495 million relates to the repayment under the state aid proceedings.

The following assets and liabilities were acquired upon the acquisition of companies (see also [Note 2](#)):

€m	2007	2008 ¹⁾
Non-current assets	98	23
Receivables and other securities from financial services	26	0
Current assets (excluding cash and cash equivalents)	212	174
Provisions	-70	-1
Other liabilities	-214	-305

1) Continuing operations.

Investing activities (discontinued operations) resulted in a cash inflow of €473 million compared with €257 million in the previous year.

Free cash flow is the aggregate of net cash from operating activities and net cash used in investing activities. Free cash flow is considered to be an indicator of how much cash is available to the company for dividend payments or the repayment of debt. Since net cash from operating activities rose and net cash used in investing activities fell, free cash flow (continuing operations) improved significantly increasing from €1,498 million in the previous year to €2,448 million in financial year 2008.

50.3 Net cash used in financing activities

Net cash used in financing activities (continuing operations) rose year-on-year by €485 million to €2,386 million (previous year: €1,901 million). At €497 million, the repayment of non-current financial liabilities was almost at the prior-year level (€452 million), whereas long-term borrowing decreased year-on-year: As a result, cash inflows amounted to €176 million, €376 million below the prior-year level. The change in current financial liabilities led to a decrease in cash outflows of €520 million (€337 million in the year under review compared with €857 million in the previous year). The cash inflows and outflows from foreign currency derivatives are reported under other financing activities: A net cash inflow of €153 million was recognised in the previous year in contrast to a net cash outflow of €148 million in financial year 2008. The dividend payment to shareholders of €1,087 million – another increase – accounts for the largest share of cash paid as part of financing activities. At €434 million, interest payments are slightly above the prior-year figure (€411 million).

Cash inflows from financing activities (discontinued operations) amounted to €918 million, which represents an €804 million year-on-year increase.

50.4 Cash and cash equivalents

The cash inflows and outflows described above produced cash and cash equivalents (continuing operations) of €1,350 million (see [Note 37](#)). This is a slight year-on-year increase of €11 million. Currency translation differences reduced cash and cash equivalents by €53 million; changes in the consolidated group, by contrast, brought an increase of €2 million.

Other disclosures

51 Financial instruments

Financial instruments are contractual obligations to receive or deliver cash and cash equivalents. In accordance with IAS 32 and IAS 39, these include both primary and derivative financial instruments. Primary financial instruments include in particular bank balances, all receivables, liabilities, securities, loans and accrued interest. Examples of derivatives include options, swaps, and futures.

The Deutsche Postbank Group accounts for most of the financial instruments in the Group. The risks and derivatives of the Deutsche Postbank Group's financial instruments are therefore presented separately below.

51.1 Risks and financial instruments of the Deutsche Postbank Group

Taking risks in order to generate earnings is the core function of the Deutsche Postbank Group's business activities. One of the Deutsche Postbank Group's core competencies is to assume normal banking risks within a strictly defined framework, whilst at the same time maximising the potential return arising from them. In the process, each of the relevant risks is carefully identified, continuously measured and monitored as well as regularly reported. To this end, the Deutsche Postbank Group has established a risk management organisation as the basis for risk and earnings-based overall bank management.

In accordance with the requirements of MaRisk (Minimum Requirements for Risk Management), the risk strategy is consistent with the business strategy and takes into account all significant business areas and types of risk. In addition to an overarching, group-wide risk strategy, Deutsche Postbank AG's Management Board has resolved specific risk strategies for market, credit, liquidity and operational risk.

Operational responsibility for risk management is spread across several units in the Deutsche Postbank Group, primarily the Financial Markets Board Department, domestic/foreign credit management and the credit functions of the retail banking business and, at a decentralised level, the subsidiaries BHW Bausparkasse AG, BHW Bank AG, Deutsche Postbank International s.a. and PB Capital Corp., as well as the London branch.

Risk Controlling, which is part of the Finance Board Department, is the independent, group-wide risk monitoring unit. Risk Controlling is authorised to make decisions regarding the methods and models applied in risk identification, measurement and limitation. Risk Controlling, together with the risk control units at BHW Bausparkasse AG, BHW Bank AG, Deutsche Postbank International s.a., PB Capital Corp. subsidiaries and the London branch, is responsible for operational risk control and reporting at Group level.

The Internal Audit unit is a key element of the Deutsche Postbank Group's business and process-independent monitoring system. In terms of the Postbank's organisational structure, it is assigned to the chairman of the Management Board and reports independently to the whole Management Board. The Postbank Group

Management Board is responsible for risk strategy, the appropriate organisation of risk management, monitoring the risk content of all transactions and risk control. In conjunction with the Risk Committees, the Deutsche Postbank Management Board has defined the underlying strategies for activities on the financial markets and the other business sectors of the Group.

Definition of risk types

The Deutsche Postbank Group distinguishes between the following risk types:

- **Market risk:** Potential losses in financial transactions liable to incur from changes in interest rates, spreads, volatility, foreign exchange rates and equity prices.
- **Credit risk:** Potential losses that may be caused by changes in the creditworthiness of or default by a counterparty (for example as a result of insolvency). The following types of credit risk are distinguished:
 - **Default risk (credit risk):** Risk of potential losses caused by a deterioration in the credit rating of or default by a counterparty.
 - **Settlement risk:** Risk of possible losses during the settlement or netting of transactions.
 - **Counterparty risk:** The risk of possible losses arising from potential default by a counterparty, and hence the risk to unrealised profits on executory contracts (replacement risk).
- **Country risk:** The risk of possible losses arising from political or social upheaval, nationalisation and expropriation, a government's non-recognition of foreign debts, currency controls and devaluation or depreciation of a national currency (transfer risk).
- **Liquidity risk:** The risk that current and future payment obligations cannot be met, either in the full amount or as they fall due. Liquidity maturity transformation risk describes the risk of a loss occurring due to a change in Postbank's own refinancing curve (spread risk) resulting from an imbalance in the liquidity maturity structure within a given period for a certain confidence level.
- **Operational risk:** The risk of losses resulting from inadequate or failed internal processes and systems, people or external events. The definition also encompasses legal risks.
- **Investment risk:** Investment risk comprises possible losses arising from fluctuations in fair value of equity investments, unless they are already included in other risk types.
- **Real estate risk:** Real estate risk relates to the real estate owned by the Deutsche Postbank Group and comprises the risk of losses of rental income, write-downs to the going-concern value and losses on sale.
- **Collective risk:** Specific business risk arising from BHW Bausparkasse AG's home savings business. This is defined as the negative impact of (non interest-related) deviations in the actual behaviour of home savings customers from their forecast behaviour.
- **Business risk:** The risk of declining earnings arising from unexpected changes in the business volume and/or margins and corresponding costs. This notion also comprises model risks arising from modelling customer products with unknown capital and interest commitments (in particular savings and giro products) as well as the strategic and the reputational risk.

Presentation of risk position

The risks described below are assessed as being the material negative factors currently affecting the net assets, financial position and results of operations of the Deutsche Postbank Group. However, these are not necessarily the only risks to which the Deutsche Postbank Group is exposed. Risks of which it is currently unaware or which it does not yet consider to be material could also negatively impact business activities.

In view of the ongoing financial market crisis, which has been marked by extreme volatility on the money and capital markets, and a clear slowdown in the overall economic development in many parts of the world, uncertainty about future developments has risen considerably and is presenting an extreme challenge to risk management at banks. Economic risk-bearing capacity and regulatory capital ratios will remain under pressure in the entire sector. Against the backdrop of the unprecedented dynamics of the economic slowdown and the as yet uncertain effectiveness of both the economic stimulus plans being implemented across the world and concerted actions by central banks, future risk development is hard to assess. The Deutsche Postbank Group accepts normal banking risk within a defined framework strictly reflecting its risk-bearing capacity. The relevant risks are measured and monitored continuously and reported regularly to the Deutsche Postbank Group management.

The market disruptions have had a clearly negative impact on capital market portfolios and thus on the earnings situation of the Deutsche Postbank Group in financial year 2008. The risk profile of the Deutsche Postbank Group in 2008, which is focused on a well-diversified retail portfolio and, by comparison, is relatively conservative, could not prevent the recognition of significant charges on the credit side and in the market price risk area. Despite the measures taken to reduce capital market portfolios and risk, considerable risk potential remains. The risks emanating from the Postbank portfolio of structured credit products are systematically and thoroughly analysed for potential default and continuously monitored and managed in a dedicated project structure. The entire portfolio is subjected to regular impairment tests. In view of the ongoing disruptions on the capital markets and the clear economic downturn, the Deutsche Postbank Group expects further negative effects during the course of the year.

The economic slowdown and the resulting slump in real estate markets could lead to higher default rates in the customer

lending business. This is especially true for commercial real estate financing in some foreign markets where the challenging environment is expected to continue. So far, only a very few signs of payment irregularities have been noticeable in the portfolio. The relevant portfolios are closely monitored so that measures to limit the risk can be taken early on when needed.

The loan portfolios in the retail banking business are largely well collateralised and highly granular. From a credit risk perspective, there have been no conspicuous developments despite the clear economic downturn in Germany. Should the decline continue or accelerate, potential repercussions for borrowers cannot be ruled out.

Thanks to its comparatively stable refinancing basis from customer deposits, the Deutsche Postbank Group's liquidity position is sound. However, due to the massive crisis of confidence and the still limited absorptive capacity of the capital market, the Deutsche Postbank Group is also making use of the comprehensive refinancing facilities provided by the central bank. There have been and still are no identifiable risks among the risk types described that could jeopardise the Deutsche Postbank Group's continued existence as a going concern.

Derivative financial instruments

The Deutsche Postbank Group uses derivatives for hedging purposes as part of its asset/liability management policy. Derivatives are also used for trading. Foreign currency derivatives are mainly used in the form of currency forwards, currency swaps, cross-currency swaps and currency options. Interest rate derivatives mainly consist of interest rate swaps, forward rate agreements, interest futures and interest options; in isolated cases, forward transactions in fixed-interest securities were conducted. Equity derivative contracts are signed in particular in the form of stock options and equity/index futures. Only a few credit default swap contracts were entered into. Credit default swaps are basically the result of derivatives separated from synthetic CDOs. The notional amounts represent the gross volume of all sales and purchases and serve as a reference value for determining reciprocally agreed settlement payments; they do not represent recognisable receivables or liabilities. The fair values of the individual contracts were calculated using recognised valuation models and do not reflect any netting agreements. The derivatives portfolio is classified by economic purpose as follows:

Derivative financial instruments

€m	Notional amounts		Positive fair values		Negative fair values	
	2007	2008	2007	2008	2007	2008
Trading derivatives	518,853	665,517	5,427	15,853	5,593	16,987
Hedging derivatives	34,052	46,557	421	474	873	2,693
Total	552,905	712,074	5,848	16,327	6,466	19,680

The following table presents the open interest rate and foreign currency forward transactions and option contracts of the Deutsche Postbank Group at the balance sheet date.

Forward transactions and option contracts of the Deutsche Postbank Group

€m	2007			2008		
	Notional amount	Positive fair values	Negative fair values	Notional amount	Positive fair values	Negative fair values
Trading derivatives						
Currency derivatives						
OTC products						
Currency forwards	2,273	35	50	4,858	168	106
Currency swaps	22,518	202	270	32,129	907	859
Total portfolio of currency derivatives	24,791	237	320	36,987	1,075	965
Interest rate derivatives						
OTC products						
Interest rate swaps	469,220	5,142	5,046	601,810	14,405	15,034
Cross-currency swaps	146	4	5	384	59	10
FRAs	5,723	–	2	12,028	18	11
OTC interest rate options	673	1	1	866	3	3
Other interest-related contracts	871	3	2	117	1	1
Exchange-traded products						
Interest rate futures	9,893	–	–	4,938	–	–
Interest rate options	490	1	–	–	–	–
Total portfolio of interest rate derivatives	487,016	5,151	5,056	620,143	14,486	15,059
Equity/index derivatives						
OTC products						
Equity options (long/short)	453	10	66	337	20	11
Exchange-traded products						
Equity/index futures	117	–	–	5	–	–
Equity/index options	259	2	1	25	1	–
Total portfolio of equity/index derivatives	829	12	67	367	21	11
Credit derivatives						
Credit default swaps	6,217	27	150	8,020	271	952
Total portfolio of credit derivatives	6,217	27	150	8,020	271	952
Total portfolio of derivatives held for trading	518,853	5,427	5,593	665,517	15,853	16,987
of which banking book derivatives	15,416	131	330	29,051	459	1,576
of which derivatives in connection with underlyings relating to the fair value option	12,767	141	308	24,994	185	772
Hedging derivatives						
Fair value hedges						
Interest rate swaps	32,560	410	621	41,967	346	2,641
Cross-currency swaps	1,338	10	252	1,068	117	51
Credit default swaps	154	1	–	169	11	1
Other interest-related contracts	–	–	–	3,353	–	–
Total portfolio of hedging derivatives	34,052	421	873	46,557	474	2,693
Total portfolio of derivatives	552,905	5,848	6,466	712,074	16,327	19,680

The following table provides an overview of the recognised derivative assets and liabilities, structured by remaining maturity:

Remaining maturities

€m	Hedging derivatives				Trading and banking book derivatives			
	2007		2008		2007		2008	
	Positive fair values	Negative fair values	Positive fair values	Negative fair values	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Less than 3 months	45	138	113	391	316	508	4,736	5,251
3 months to 1 year	5	39	60	32	144	211	356	401
1 to 2 years	18	131	54	58	147	233	404	467
2 to 3 years	15	67	8	139	205	201	456	537
3 to 4 years	7	29	9	162	197	193	659	788
4 to 5 years	23	69	12	178	270	336	958	1,310
More than 5 years	308	400	218	1,733	4,148	3,911	8,284	8,233
	421	873	474	2,693	5,427	5,593	15,853	16,987

Derivatives – classification by counterparties

The following table presents the positive and negative fair values of derivatives by counterparties:

Classification by counterparties

€m	2007		2008	
	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Banks in OECD countries	5,720	6,132	15,994	18,769
Public institutions in OECD countries	–	–	–	–
Other counterparties in OECD countries	117	250	305	564
Counterparties outside the OECD	11	84	28	347
	5,848	6,466	16,327	19,680

Fair values of financial instruments carried at amortised cost or at the hedged fair value

Fair values of financial instruments which are carried at amortised cost or at the hedged fair value are compared with the carrying amounts in the following table:

Carrying amounts/fair value

€m	2007		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash reserve	3,352	3,352	3,417	3,417
Loans and advances to other banks (loans and receivables)	24,581	24,510	20,368	20,176
Loans and advances to customers (loans and receivables)	85,159	85,414	96,281	99,667
Loans and advances to customers (held to maturity)	456	456	340	340
Allowance for losses on loans and advances	–1,184	–1,184	–1,232	–1,232
Investment securities (loans and receivables)	26,600	25,922	66,859	67,754
Investment securities (held to maturity)	730	731	186	186
Liabilities				
Due to banks	61,146	60,935	64,523	64,209
Due to customers	110,740	110,335	117,336	117,873
Securitised liabilities and subordinated debt	15,161	14,753	22,078	20,496

A fair value is generally determined for all financial instruments. Exceptions are transactions due on demand and savings deposits with an agreed withdrawal notice of less than one year. If there is an active market for a financial instrument (e.g. stock exchange), the fair value is expressed by the market or quoted exchange price at the balance sheet date. If there is no active market, the fair value is determined by an established valuation technique. The valuation techniques used incorporate the major factors establishing a fair value for the financial instruments using valuation parameters which are the result of the market conditions at the balance sheet date. The cash flows used under the present value method are based on the contractual data of the financial instruments.

51.2 Risks and financial instruments of other Group companies

Risk management system

The Group faces financial risks from its operating activities that may arise from changes in exchange risks, commodity prices and interest rates. The Group uses both primary and derivative financial instruments to manage these financial risks. The use of derivatives is limited to the management of primary financial risks. Any use for speculative purposes is not permitted under the Group's internal guidelines.

The fair values of the derivatives used may be subject to significant fluctuations depending on changes in exchange rates, interest rates or commodity prices. These fluctuations in fair value should

not be assessed separately from the hedged underlying transactions, since derivatives and hedged transactions form a unity with regard to their offsetting value development.

The range of actions, responsibilities and controls necessary for using derivatives has been clearly established in the Group's internal guidelines. Suitable risk management software is used to record, assess and process financing transactions as well as to regularly assess the effectiveness of the hedging relationships. To limit counterparty risk from financial transactions, the Group only enters into transactions with prime-rated banks. Each counterparty is assigned a counterparty limit, the use of which is regularly monitored. The Group's Board of Management receives regular internal information on the existing financial risks and the hedging instruments deployed to limit them. The financial instruments used are accounted for in accordance with IAS 39.

Liquidity management

Liquidity in the Group is managed in a largely centralised system to ensure a continuous supply of cash for the Group companies. Liquidity reserves consist of bilateral credit lines committed by banks in the amount of €3.1 billion (previous year: €4.2 billion). In addition, the Group issued a commercial paper programme in the amount of €1 billion. Thus, the Group continues to have sufficient funds to finance necessary investments.

The maturity structure of primary financial liabilities to be applied within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure – remaining maturities

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
As at 31 December 2008						
Financial liabilities	126	543	457	906	145	2,020
Other liabilities	0	64	11	15	15	109
Non-current liabilities	126	607	468	921	160	2,129
Financial liabilities	780	0	0	0	0	0
Trade payables	4,980	0	0	0	0	0
Other liabilities	377	0	0	0	0	0
Current liabilities	6,137	0	0	0	0	0
As at 31 December 2007						
Financial liabilities	189	371	448	319	851	2,275
Other liabilities	0	106	10	14	9	85
Non-current liabilities	189	477	458	333	860	2,360
Financial liabilities	928	0	0	0	0	0
Trade payables	5,210	0	0	0	0	0
Other liabilities	355	0	0	0	0	0
Current liabilities	6,493	0	0	0	0	0

Cash flows which fall within the scope of IFRS 7 were not included in the table.

Derivative financial instruments entail both rights and obligations. The contractual arrangement defines whether these rights and obligations can be offset against each other, thus resulting in a

net settlement or whether both parties to the contract will have to fully perform under their obligations (gross settlement). The maturity structure of payments under derivative financial instruments is as follows:

Maturity structure – remaining maturities

€m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
As at 31 December 2008						
Derivative receivables – gross settlement						
Cash outflows	-4,332	-111	-43	-50	-21	-153
Cash inflows	4,763	128	54	56	21	180
Net settlement						
Cash inflows	40	0	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	-5,461	-72	-69	-47	-12	-193
Cash inflows	4,914	52	51	35	9	123
Net settlement						
Cash outflows	-13	0	0	0	0	0
As at 31 December 2007						
Derivative receivables – gross settlement						
Cash outflows	-1,685	-16	-15	-15	-16	-160
Cash inflows	1,730	16	16	16	16	191
Net settlement						
Cash inflows	7	2	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	-1,810	-116	-185	-113	-91	-212
Cash inflows	1,739	97	166	94	77	180
Net settlement						
Cash outflows	-6	-7	0	0	0	0

Currency risk and currency management

The Group's global activities expose it to currency risks from planned and completed transactions in foreign currencies. All currency risks are recognised and managed centrally in Corporate Treasury. For this purpose, all Group companies report their foreign-currency risks to Corporate Treasury, which calculates a net position per currency on the basis of these reports, hedging it externally where applicable. Currency forwards, currency swaps and currency options are used to manage the risk. The notional amount of outstanding currency forwards and swaps was around €10,531 million as at the reporting date (previous year: €3,745 million). The corresponding fair value was €-101 million (previous year: €-31 million). These transactions were used to hedge planned and recorded operational risks and to hedge internal and external financing and investments. Fair value hedge accounting was not used substantially.

In addition, currency options with a notional amount of €460 million (previous year: €460 million) and a fair value of €11 million (previous year: €-11 million) were used to hedge operational currency risks and risks arising from investing activities.

The Group also held cross-currency swaps with a notional amount of €269 million (previous year: €299 million) and a fair value of €-28 million (previous year: €-12 million) to hedge long-term foreign currency financing.

Currency risks resulting from translating assets and liabilities of foreign operations into the Group's currency (translation risk) were not hedged as at 31 December 2008.

The fair value of currency forwards was measured on the basis of current market prices, taking forward premiums and discounts into account. The currency options were measured using the Black-Scholes option pricing model. Of the unrealised gains from currency derivatives that were recognised in equity as at 31 December 2008 in accordance with IAS 39, a gain of €77 million (previous year: loss of €17 million) is expected to be recognised in income in the course of 2009.

IFRS 7 requires a company to disclose a sensitivity analysis, showing how profit or loss and equity are affected by hypothetical changes in exchange rates at the reporting date. In this process, the hypothetical changes in exchange rates are analysed in relation

to the portfolio of financial instruments not denominated in their functional currency and being of a monetary nature. It is assumed that the portfolio as at the reporting date is representative for the whole year.

Effects of hypothetical changes in exchange rates on the translation risk do not fall within the scope of IFRS 7. The following assumptions are taken as a basis for the sensitivity analysis:

Primary monetary financial instruments used by Group companies were either denominated directly in the functional currency or the currency risk was transferred to Deutsche Post AG at the exchange rates Deutsche Post AG has guaranteed. Exchange-rate-induced changes therefore have no effect on profit or loss and equity of the Group companies. Some isolated Group companies are not legally entitled to participate in in-house banking. These companies hedge their currency risks from primary monetary financial instruments linked with Deutsche Post AG by using derivatives. The internal derivatives are consolidated in the Group. The risk remaining at Group level is taken into account when computing the net position.

Hypothetical changes in exchange rates affect the fair values of the external derivatives used by Deutsche Post AG with changes in fair value reported in profit or loss; they also affect the currency results from the measurement at the closing date of the in-house bank balances denominated in foreign currency, balances from external bank accounts as well as internal and external loans extended by Deutsche Post AG. In addition, hypothetical changes in exchange rates affect equity and the fair values of those derivatives used to hedge off-balance-sheet obligations and highly probable future currency transactions – designated as cash flow hedges.

A 10% appreciation of the euro against all currencies as at 31 December 2008 would have reduced profit by €1 million (previous year: €8 million). These hypothetical effects on profit or loss are mainly the result of a sensitivity to changes in the euro against SGD (€-15 million; previous year: €-2 million), USD (€3 million; previous year: €-18 million), BHD (€3 million; previous year: €5 million) and CNY (€5 million; previous year: €4 million). A depreciation of the euro would have approximately the opposite sensitivities.

A 10% appreciation of the euro would have changed the hedging reserve accounted for in equity by €17 million (previous year: €-25 million). The hypothetical change in equity is mainly the result of the euro's sensitivity to the USD (€-48 million; previous year: €-76 million), GBP (€18 million; previous year: €14 million) and JPY (€13 million; previous year: €7 million). A currency depreciation would affect equity in the amount of €-11 million (previous year: €25 million).

Commodity risk

Most of the risks arising from the purchase of fuels and fuel oil are passed on to customers via surcharges and contract clauses. As in the previous year there was no additional hedging using derivatives at the reporting date.

Interest rate risk and interest rate management

The Group's primary debt currency is the euro. Part of it is exchanged for foreign currencies using derivative financial instruments to cover the liquidity needs of the respective operations. Tak-

ing into account these transactions, the euro's portion in the Group's financial liabilities was 55% (previous year: 51%) and that of the US dollar 40% (previous year: 18%). The rise in the portion of the US dollar was due to the higher financial requirements of the American subsidiaries

The fair value of interest rate hedging instruments was calculated on the basis of the discounted expected future cash flows using the Group's treasury risk management system.

As at 31 December 2008 the Group had entered into interest rate swaps with a notional volume of €1,197 million (previous year: €1,209 million). The fair value of this interest rate swap position was €-8 million (previous year: €-24 million). As in the previous year there were no interest rate options at the reporting date.

The Group slightly reduced the share of instruments with short-term interest lock-ins in the course of 2008. Overall, the ratio of instruments with short-term interest rate lock-ins to instruments with long-term interest rate lock-ins was well balanced. The effect of interest rate changes on the Group's financial position continues to be immaterial.

A sensitivity analysis is performed to present the interest rate risks in accordance with IFRS 7. This method is used to determine the effects hypothetical changes in market interest rates have on interest income, interest expense and on equity at the reporting date. The following assumptions are taken as a basis for the sensitivity analysis:

Primary variable-interest financial instruments are subject to interest rate risks and will therefore have to be included in the sensitivity analysis. Primary variable-interest financial instruments which have been transformed into fixed-income financial instruments in a cash flow hedge are not included. Changes in market interest rates in derivative financial instruments used as a cash flow hedge affect equity by a change in fair values and must therefore be included in the sensitivity analysis. Fixed-interest financial instruments measured at amortised cost are not subject to interest rate risk.

Designated fair value hedges of interest rate exposures are not included in the sensitivity analysis because the interest-related changes in the fair value of the hedged item and the hedging transaction almost fully offset each other in profit or loss for the period. Only the variable portion of the hedging instrument affects net finance costs/net financial income and must be included in the sensitivity analysis.

Interest rate derivatives outside the scope of a hedging relationship which would affect net finance costs/net financial income due to changes in market rates were not recognised as at 31 December 2008.

If the market interest rate level as at 31 December 2008 had been 100 basis points higher, profit would have decreased by €12 million (previous year: €13 million). A market rate level 100 basis points lower would have had the opposite effect. A change in the market interest rate level by 100 basis points would have affected the fair values of the interest rate derivatives recognised in equity. A rise in interest rates would have resulted in unrecognised gains in equity of €38 million (previous year: €16 million); a reduction would have had the opposite effect.

Credit risk

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. To minimise credit risk from financial transactions, the Group only enters into transactions with prime-rated counterparties. Each counterparty is assigned a counterparty limit, the use of which is regularly monitored. An impairment test is performed at the balance sheet dates to see whether, due

to the individual counterparty's credit rating, an impairment loss is to be recognised for the positive fair values. This was not the case for any of the counterparties as at 31 December 2008.

Default risks are continuously monitored in the operating business. The aggregate carrying amounts of financial assets represent the maximum default risk. Trade receivables amounting to €5,591 million (previous year: €6,377 million) are due within one year. The following table gives an overview of past-due receivables:

€m	Carrying amount before impairment loss	Neither impaired nor due as at the reporting date	Past due at reporting date and not impaired						
			Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	More than 180 days
As at 31 December 2008									
Trade receivables	5,788	3,594	1,196	401	125	63	31	17	32
As at 31 December 2007									
Trade receivables	6,595	4,373	1,168	361	152	80	43	28	65

Trade receivables developed as follows:

€m	2007	2008
Gross receivable		
As at 1 January	6,651	6,595
Changes	-56	-807
As at 31 December	6,595	5,788
Valuation allowances		
As at 1 January	-256	-218
Changes	38	21
As at 31 December	-218	-197
Carrying amount as at 31 December	6,377	5,591

All other financial loans and receivables are neither past due nor impaired. These assets are expected to be collectible at any time.

Cash flow hedges

The Group uses currency forwards and currency swaps to hedge the future cash flow risks from foreign currency revenue and expenses. The fair values of currency forwards and currency swaps amounted to €74 million (previous year: €-2 million) as at the reporting date. In addition, there were currency options used to hedge operating risks at the reporting date at a fair value of €13 million (previous year: €0 million). The underlyings will be recognised in the income statement in 2009.

Currency forwards with a fair value of €-26 million (previous year: €-37 million) as at the reporting date were entered into to hedge the currency risk of future lease payments and annuities denominated in foreign currencies. The payments for the underlyings are made in instalments, with the final payment due in 2013.

Cash flow risks arise from the contracted aircraft purchases in connection with future payments in US dollars. These risks were hedged using forwards and options. The fair value of cash flow hedges as at 31 December 2008 amounted to €-1 million (previous year: €-11 million) for currency options and €3 million (previous year:

€-1 million) for currency forwards. The aircraft will be added in 2009 and 2010. Gains or losses on hedges are offset against cost and recognised in profit or loss upon the amortisation of the asset.

Risks arising from fixed-interest foreign currency investments were hedged using synthetic cross-currency swaps, with the investments being transformed into fixed-interest euro investments. These synthetic cross-currency swaps hedge the currency risk, and their fair values at the balance sheet date amounted to €15 million (previous year: €26 million). The investments relate to internal Group loans which mature in 2014.

The Group is exposed to cash flow risks arising from variable interest rate liabilities. These risks were hedged using an interest rate swap which offsets the interest rate risk in the underlying. The fair value of the respective cash flow hedge amounted to €-53 million as at 31 December 2008 (previous year: €-15 million). The hedged liability becomes due in 2037. In addition, a fixed-interest currency liability was transformed into a fixed-interest euro-denominated liability using a cross-currency swap. The fair value of the derivative was €-12 million (previous year: €-7 million).

51.3 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments in relation to the respective balance sheet items. The following table reconciles the balance sheet items to the categories given in IAS 39 and the respective fair values:

Reconciliation of carrying amounts in the balance sheet as at 31 December 2008

€m

	Carrying amount	Carrying amount measured in accordance with IAS 39			
		Financial assets and liabilities recognised at fair value through profit or loss		Available-for-sale financial assets	
		Trading	Fair value option		
		Fair value	Fair value	Fair value	Amortised cost
ASSETS					
Non-current financial assets	635				158
Other non-current assets	514		38		
Receivables and other assets	8,715	353			
Financial instruments	50				13
Cash and cash equivalents	1,350				
Total assets	11,264	353	38	0	171
EQUITY AND LIABILITIES					
Non-current financial liabilities ¹⁾	-3,318				
Other non-current liabilities	-367				
Current financial liabilities	-779				
Trade payables	-4,980				
Other current liabilities	-4,745	-504			
Total equity and liabilities	-14,189	-504	0	0	0

1) Some of the bonds included in financial liabilities were designated as a hedged item in a fair value hedge and are thus subject to a basis adjustment. Accounting is therefore neither fully at fair value nor at amortised cost.

	Loans and receivables/ Other financial liabilities	Held-to-maturity financial assets	Derivatives designated as hedging instruments	Other financial instruments outside the scope of IAS 39	Outside the scope of IFRS 7	Fair value of financial instruments under IFRS 7
	Amortised cost	Amortised cost	Fair value	Liabilities from finance leases		
	406	10			61	574
	55		51		370	144
	5,917		122		2,323	6,392
	37					50
	1,350					1,350
	7,765	10	173	0	2,754	8,510
	-2,716			-499	-103	-3,293
	-147		-103		-117	-250
	-747			-32	0	-779
	-4,980					-4,980
	-485		-45		-3,711	-1,034
	-9,075	0	-148	-531	-3,931	-10,336

Reconciliation of carrying amounts in the balance sheet as at 31 December 2007

€m

	Carrying amount	Carrying amount measured in accordance with IAS 39			
		Financial assets and liabilities recognised at fair value through profit or loss		Available-for-sale financial assets	
		Trading	Fair value option	Fair value	Amortised cost
		Fair value	Fair value		
ASSETS					
Non-current financial assets	1,060			431	301
Other non-current assets	497		66		
Receivables and other assets	9,806	25			
Receivables and other securities from financial services ²⁾	193,920	9,936	7,043	41,174	
Financial instruments	72			19	
Cash and cash equivalents	4,683				
Assets held for sale	615				
Total assets	210,653	9,961	7,109	41,624	301
EQUITY AND LIABILITIES					
Non-current financial liabilities ¹⁾	-8,625				
Other non-current liabilities	-361				
Current financial liabilities	-1,556				
Trade payables	-5,384				
Liabilities from financial services	-187,787	-5,594			
Other current liabilities	-5,101	-16			
Total equity and liabilities	-208,814	-5,610	0	0	0

1) Some of the bonds included in financial liabilities were designated as a hedged item in a fair value hedge and are thus subject to a basis adjustment. Accounting is therefore neither fully at fair value nor at amortised cost.

2) Restatement of the prior-year figure due to the Deutsche Postbank Group restatement (see Note 5).

	Loans and receivables/ Other financial liabilities	Held-to-maturity financial assets	Derivatives designated as hedging instruments	Other financial instruments outside the scope of IAS 39	Outside the scope of IFRS 7	Fair value of financial instruments under IFRS 7
	Amortised cost	Amortised cost	Fair value	Liabilities from finance leases		
	115	10			203	857
			28		403	94
	6,679		26		3,076	6,730
	134,160	1,186	421			193,493
	52	1				72
	4,683					4,683
	565				50	565
	146,254	1,197	475	0	3,732	206,494
	-7,823			-551	-251	-8,403
	-224		-97		-40	-337
	-1,482			-74	0	-1,556
	-5,384					-5,384
	-181,320		-873			-186,763
	-510		-44		-4,531	-570
	-196,743	0	-1,014	-625	-4,822	203,013

If there is an active market for a financial instrument (e. g. stock exchange), the fair value is expressed by the market or quoted exchange price at the balance sheet date. The valuation technique used incorporates the major factors establishing a fair value for the financial instruments using valuation parameters which are derived from the market conditions at the balance sheet date. The fair values of other non-current receivables and financial investments held to maturity with remaining maturities of more than one year equal the present values of the payments related to the assets, taking into account the current interest rate parameters.

Most of the cash and cash equivalents, trade receivables and other receivables have short remaining maturities. Thus, their carrying amounts at the reporting date are largely equivalent to their fair values. Trade payables and other liabilities generally have short maturities; the amounts carried in the balance sheet are similar to their fair values.

The financial assets classified as available for sale include shares in partnerships and corporations in the amount of €158 million (previous year: €301 million) for which a fair value cannot be determined reliably. The shares in these companies are not quoted on an active market; they are therefore recognised at cost. There are no plans to sell a material number of the available-for-sale financial assets recognised as at 31 December 2008 in the near future. No significant shares measured at cost were sold in the financial year. In the previous year, shares in the amount of €68 million were sold at a disposal loss of €3 million.

No assets were reclassified in financial years 2008 and 2007.

The net gains and losses from financial instruments classified in accordance with the measurement categories of IAS 39 are composed as follows:

Net gains and losses of the measurement categories

€m	2007	2008
Loans and receivables	175	214
Held-to-maturity financial assets	0	0
Financial assets and liabilities recognised at fair value through profit or loss		
Trading	-375	-181
Fair value option	-20	18
Other financial liabilities	-110	-26

The net gains and losses mainly consist of the effects of valuation allowances, fair value measurement and disposals (disposal gains/losses). Dividends and interest are not taken into account for the financial instruments recognised in profit or loss at fair value. Details of net gains or losses on the financial assets available for sale can be found in [Note 40](#). Income and expense from interest and commission agreements of the financial instruments not measured at fair value through profit or loss are explained in the income statement disclosures.

52 Contingent liabilities

The Group's contingent liabilities total €1,828 million (previous year restated: €645 million; the amounts attributable to the Deutsche Postbank Group are reported in [Note 38](#)). €84 million of the contingent liabilities relates to guarantee obligations (previous year, restated: €100 million) and €87 million to liabilities from litigation risks (previous year: €204 million). Other contingent liabilities rose (€1,378 million; previous year: €112 million) primarily as a result of another case of formal state aid proceedings (see [Note 54 Litigation](#)) accounted for in these financial statements.

53 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €7,274 million (previous year: €7,041 million) from non-cancellable operating leases as defined by IAS 17.

The Group's future non-cancellable payment obligations under leases are attributable to the following asset classes:

€m	2007	2008
Land and buildings	6,310	6,452
Technical equipment and machinery	164	68
Other equipment, operating and office equipment	96	49
Transport equipment	306	501
Aircraft	165	194
Miscellaneous	0	10
Leases	7,041	7,274

The increase in lease obligations is due to the lease-back agreements for portions of the real estate portfolio sold to investor Lone Star. Lease obligations include €404 million of future lease obligations from the us express business, which were recognised under restructuring provisions as onerous contracts. €139 million (previous year: €156 million) of the leasing obligations relates to the Deutsche Postbank Group.

€m	2007	2008
Year 1 after reporting date	1,285	1,452
Year 2 after reporting date	1,069	1,174
Year 3 after reporting date	871	994
Year 4 after reporting date	700	717
Year 5 after reporting date	561	533
Year 6 after reporting date and thereafter	2,555	2,404
Maturity structure of minimum lease payments	7,041	7,274

The present value of discounted minimum lease payments is €5,554 million (previous year: €5,326 million), based on a discount factor of 6.00% (previous year: 5.75%). Overall, rental and lease payments of €2,389 million (previous year, restated: €2,322 million) arose, of which €1,735 million (previous year, restated: €1,685 million) relates to non-cancellable leases. €3,006 million (previous year: €2,468 million) of the future lease obligations from non-cancellable leases relates primarily to Deutsche Post Immobilien GmbH.

The purchase obligation for investments in non-current assets amounted to €150 million (previous year: €332 million).

54 Litigation

Due to the market-leading position of Deutsche Post AG, a large number of its services are subject to sectoral regulation under the *Postgesetz* (German postal act). The regulatory authority approves or reviews prices in particular, formulates the terms of downstream access and conducts general checks for market abuse. Any resulting proceedings may lead to a drop in revenue and earnings.

Legal risks arise from, amongst other things, appeals pending before the administrative courts against the regulatory authority's July 2002 ruling concerning the conditions for the price cap procedure, from appeals against price approvals granted under the price cap procedure for the years 2003, 2004 and 2008, and from appeals against other price approval decisions handed down by the regulatory authority.

European Commission competition proceedings were initiated on the basis of a complaint made by the *Deutscher Verband für Post und Telekommunikation* (German association for posts and telecommunications) about allegedly excessive mail prices. In these proceedings, Deutsche Post AG has presented detailed evidence to support its argument that the prices are reasonable.

Conditions determined by the regulator oblige Deutsche Post AG to allow customers and competitors downstream access to its network. Proceedings are still pending before the administrative courts against the relevant rulings by the regulatory authority. Depending on the outcome of the proceedings, the Group could be faced with further losses of revenue and earnings. As regards the special problem of downstream access for so-called consolidators, the European Court of Justice decided definitively on 6 March 2008 that access must be granted under European law. Based on an enforceable order by the *Bundeskartellamt* (German federal antitrust authority), Deutsche Post AG had granted the consolidators access as early as 2005. The expiry of the exclusive license will eliminate the access issue.

In response to a complaint from a third party, the EU Commission made requests for information to the German government concerning an allegation by the *Monopolkommission* (German monopoly commission). The allegation is that Deutsche Post AG contravenes the prohibition of state aid under the EC Treaty by allowing Deutsche Postbank AG to use Deutsche Post outlets at below-market rates. In the opinion of Deutsche Post AG and Deutsche Postbank AG, this allegation is incorrect and the fee paid by Deutsche Postbank AG complies with the provisions on competition and state aid stipulated in EU law. The EU Commission is also asking the Federal Republic of Germany to comment on the sale of its entire interest in Deutsche Postbank AG to Deutsche Post AG in 1999. However, the EU Commission has already investigated the acquisition of Deutsche Postbank AG as part of the state aid proceedings that were concluded with the ruling dated 19 June 2002. At the time, it explicitly concluded that the acquisition of Postbank involved "no grant of state aid".

The German government has already argued before the EU Commission that the allegations are in its opinion unfounded. Nevertheless, with regard to the two allegations relating to the requests for information, no assurance can be given that the EU Commission will not find that the facts of the case constitute state aid.

On 12 September 2007, the EU Commission initiated a formal investigation against the Federal Republic of Germany concerning possible subsidies. The investigation will focus on whether the Federal Republic of Germany, using state resources, overcompensated Deutsche Post AG or its legal predecessor Deutsche Bundespost POSTDIENST for the cost of providing universal services between 1989 and 2007 and whether the company was thereby granted state aid incompatible with EU law. According to the decision opening the investigation, the Commission intends to examine all public transfers, public guarantees, statutorily granted exclusive rights, the price regulation of letter services and the public funding of civil servants' pensions during the period in question. Also to be investigated is the cost allocation within Deutsche Post AG and its predecessor between the regulated letter service, the universal service and competitive services. This also relates to co-operation agreements between Deutsche Post AG and Deutsche Postbank AG as well as between Deutsche Post AG and the business parcel service marketed by DHL Vertriebs GmbH.

Deutsche Post AG and Deutsche Postbank AG hold that the new investigation lacks any factual basis. All public transfers associated with the privatisation of Deutsche Bundespost, the public guarantees and the funding of pension obligations formed part of the subject matter of the state aid proceedings closed by the decision of 19 June 2002. That decision did not identify the measures concerned as incompatible state aid. Deutsche Post AG and Deutsche Postbank AG are further of the opinion that the statutorily granted exclusive rights and the regulated letter prices do not fulfil the legal criteria to be considered a form of state aid in the first place. Deutsche Post AG also considers the internal allocation of costs with its subsidiaries to be consistent with EU state aid rules and the case law of the European Court of Justice. Nonetheless, based on an overall appraisal, the possibility of the Commission finding a case of incompatible state aid cannot be ruled out.

The European Court of First Instance ruled on 1 July 2008 that the EU Commission's ruling of 19 June 2002, obliging Deutsche Post AG to repay state aid allegedly received, was void. As a result of the EU Commission's decision, Deutsche Post AG had to pay a total of €907 million to the Federal Republic of Germany in January 2003 (€572 million of alleged state aid plus interest), although it had immediately appealed against this decision. In accordance with the ruling of the European Court of First Instance, Germany repaid this amount plus interest to Deutsche Post AG; Deutsche Post AG received the total amount of €1,067 million from Germany on 1 August 2008.

The EU Commission appealed against the decision of the European Court of First Instance before the European Court of Justice. Deutsche Post AG expects the appeal to offer only little prospect of success. It cannot be ruled out, however, that the European Court of Justice allows the appeal, with the European Court of First Instance having to decide the issue again. Despite the continuing litigation, the 2002 ruling of the EU Commission could possibly become effective again; the total amount received as a result of the decision by the European Court of First Instance dated 1 July 2008 would have to be paid again to the Federal Republic of Germany.

With its decision of 23 July 2008, the EU Commission closed its investigation opened on 22 November 2006 with regard to possible state aid in connection with the construction of the DHL Euro-

pean air hub at Leipzig/Halle Airport. The Commission concluded that public investment amounting to some €350 million to finance the new southern runway is compatible with European law on state aid. At the same time, it considers the financial guarantees granted by Saxony to the benefit of DHL as inadmissible. If the grants are statutorily incompatible state aid they will have to be paid back by DHL in the opinion of the EU Commission. DHL, the Leipzig/Halle Airport and the state of Saxony appealed against this ruling before the European Court of First Instance. Neither the ineffectiveness of the liability regime nor the possibly existing repayment obligation will affect the daily operating business of DHL.

In October 2007, DHL Global Forwarding, along with all other major players in the freight forwarding industry, received a request for information from the Competition Directorate of the European Commission, a subpoena from the US Department of Justice's Antitrust Division and information requests from competition authorities in other jurisdictions in connection with a formal investigation into the setting of surcharges and fees in the international freight forwarding industry. In January 2008, an antitrust class action law suit was initiated in the New York district court on behalf of purchasers of freight forwarder services in which Deutsche Post AG and DHL are named as defendants. This civil law suit appears to be based on the fact that anti-trust investigations are on-going, but not on any known outcome or quantified loss. The Group is not able to predict or comment on the outcome of the investigations or the merits of the class action law suit, but believes its financial exposure in relation to both is limited and has not, therefore, taken any provision in its accounts.

55 Share-based remuneration

Share-based remuneration system for executives (2003 Stock Option Plan)

On the basis of the 2003 Stock Option Plan (SOP) resolved by the Annual General Meeting on 5 June 2003, no further options will be granted under the previous 2000 plan. Options were granted under the 2003 SOP for the first time on 1 August 2003 (Tranche 2003). The second tranche (Tranche 2004) was granted to executives on 1 July 2004. The third – and last – tranche under this plan (Tranche 2005) was granted on 1 July 2005.

The 2003 SOP allows for a larger number of participants and a change in the percentage distributions of the stock options among the different groups of participants, in addition to an increase in the total stock options to be issued. The grant of stock options to members of the Board of Management and executives in Group management level 2 still requires participants to invest in shares of Deutsche Post AG. Participants in Group management levels 3 and 4 receive stock options without any requirement to buy shares.

Share-based remuneration system

Number	Stock appreciation rights (SAR) ¹⁾	
	Stock options	
Tranche 2003		
Board of Management	1,096,236	0
Other senior executives	11,953,356	731,736
Tranche 2004		
Board of Management	841,350	0
Other senior executives	8,486,946	1,116,374
Tranche 2005		
Board of Management	829,362	0
Other senior executives	9,233,310	1,216,320

¹⁾ Due to legal restrictions SAR were granted in some countries instead of stock options. Due to the fair value determined for the SAR no amounts were added to the provisions in 2008 (previous year: €2 million).

The stock options can only be exercised within a two-year period following the expiration of a lock-up period of three years after the relevant grant date. The options can only be exercised if the absolute or the relative performance targets have been satisfied at the end of the lock-up period. Unexercised options lapse after the end of the exercise period.

The average price or average index performance during two periods (reference period = exercise price; performance period = final price) is compared to establish whether and to what extent the performance targets have been satisfied. The reference period is the 20 consecutive trading days prior to the grant date. The performance period is the last 60 trading days before the end of the lock-up period. The average price is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra trading system.

The absolute performance target depends on the performance of Deutsche Post shares during the performance period, and is deemed to have been satisfied if the increase in the price of Deutsche Post shares exceeds 10, 15, 20, or 25% or more (expressed as the final price divided by the exercise price). The relative performance target is tied to the performance of the shares versus the performance of the Dow Jones STOXX Total Return Index. The relative performance target is satisfied if the performance of Deutsche Post shares during the above-mentioned period matches the performance of the Index or outperforms it by at least 10%.

For every six options, a maximum of four may be earned on the basis of the absolute performance target, and a maximum of two on the basis of the relative performance target. The respective stock options of the tranche concerned lapse without compensation if the absolute or the relative performance targets are not satisfied by the end of the lock-up period. Each option entitles the holder either to purchase one share in the company or to receive a cash settlement in the amount of the difference between the issue price and the average price of the Deutsche Post shares during the last five trading days prior to the exercise date, at the respective Board member's discretion.

Information on the individual tranches is presented in the following tables:

2003 Stock Option Plan

	SOP 2003		
	Tranche 2003	Tranche 2004	Tranche 2005
Stock options			
Grant date	1 August 2003	1 July 2004	1 July 2005
Stock options granted	13,049,592	9,328,296	10,062,672
SAR granted	731,736	1,116,374	1,216,320
Exercise price	€12.40	€17.00	€19.33
Lock-up expires	31 July 2006	30 June 2007	30 June 2008
Dividend yield Deutsche Post AG	2.55%	3.05%	3.22%
Dividend yield Dow Jones Euro Stoxx Index	1.4%	1.7%	2.06%
Yield volatility of Deutsche Post AG share	39.3%	28.9%	17.07%
Yield volatility of Dow Jones Euro Stoxx Index	32.1%	14.8%	10.10%
Number			
Outstanding stock options as at 1 January 2008	1,197,538	3,170,940	8,816,004
Outstanding SAR as at 1 January 2008	117,124	267,980	695,076
Stock options exercised	1,133,452	411,824	0
SAR exercised	117,124	18,752	0
Stock options lapsed	64,086	32,458	8,816,004
of which lapsed before end of the lock-up period	0	0	191,208
of which lapsed because performance targets not met	0	0	8,624,796
of which lapsed after end of lock-up period	64,086	32,458	0
SAR lapsed	0	16,660	695,076
of which lapsed before end of the lock-up period	0	0	13,032
of which lapsed because performance targets not met	0	0	682,044
of which lapsed after end of lock-up period	0	16,660	0
Outstanding stock options as at 31 December 2008	0	2,726,658	0
Outstanding SAR as at 31 December 2008	0	232,568	0
Exercisable stock options as at 31 December 2008	0	2,726,658	0
Exercisable SAR as at 31 December 2008	0	232,568	0

Unexercised options from Tranche 2003 lapsed without compensation following the expiration of the exercise period on 1 August 2008. The options from Tranche 2005 lapsed without compensation following the expiration of the lock-up period on 1 July 2008 because the absolute and relative performance targets tied to them were not achieved.

Stock options outstanding as at 31 December 2008 have an average remaining maturity of 0.5 years. The weighted average exercise price of the stock options from tranches 2003 and 2004 exercised in the financial year is €13.63 (previous year: €14.28). These options were settled at the weighted average share price of €19.69 (previous year: €23.33).

Starting in financial year 2002, the SOP has been measured using investment techniques by applying option pricing models (fair value measurement). The expense of €4 million for options attributable to financial year 2008 (previous year: €14 million) was recognised under staff costs. No staff costs were recognised for SAR in 2008 (previous year: €2 million). Further details on share-based payments for members of the Board of Management can be found in [Note 56](#).

2006 SAR Plan for executives and Long-Term Incentive Plan (2006 LTIP) for Board members

The 2006 SAR Plan supersedes the 2003 SOP described above, under which options could last be issued in 2005. As at 3 July 2006, selected executives received stock appreciation rights (SAR) under the new plan. This gives executives the chance to receive a cash payment within a defined period in the amount of the difference between the respective closing price of Deutsche Post shares on the previous day and the fixed issue price, if demanding performance targets are met.

The fair value of the 2006 SAR Plan and the 2006 Long-Term Incentive Plan (LTIP) for Board members was determined using a stochastic simulation model. As a result, no expense had to be recognised for financial year 2008 (previous year: €20.8 million). Of the €35 million of provisions recognised in prior periods for this purpose €27 million were reversed in financial year 2008. Additional details on the 2006 SAR Plan and the 2006 LTIP can be found in the Corporate Governance Report. The remuneration report (see [Page 116](#)) contained in the Corporate Governance Report also forms part of the Group Management Report. Further details on share-based remuneration of members of the Board of Management can be found in [Note 56](#).

56 Related-party disclosures

56.1 Related-party disclosures (companies and Federal Republic of Germany)

All companies classified as related parties that are controlled by the Group or on which the Group can exercise significant influence are recorded in the list of shareholdings together with information on the equity interest held, their equity and their net profit or loss for the period, broken down by division. The list of shareholdings is filed with the commercial register of the Bonn Local Court.

Deutsche Post AG and Deutsche Postbank AG have a variety of relationships with the Federal Republic of Germany and other companies controlled by the Federal Republic of Germany.

The federal government is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG's business relationships are entered into with the individual public authorities and other government agencies as independent individual customers. The services provided to the respective individual customers are immaterial to the overall revenue of Deutsche Post AG.

Relationships with the *Bundesanstalt für Post und Telekommunikation* (BAnstPT)

The Federal Republic of Germany manages its interest in Deutsche Post AG and exercises its shareholder rights via the *Bundesanstalt für Post und Telekommunikation* ("Bundesanstalt") which has legal capacity and falls under the supervision of the German Federal Ministry of Finance. The *Gesetz über die Errichtung einer Bundesanstalt für Post und Telekommunikation* or *Bundesanstalt Post Gesetz* (BAnstG – German act to establish a Deutsche Bundespost Federal Posts and Telecommunications Agency or Federal Posts and Telecommunications Agency act) transferred specific legal rights and duties to the Bundesanstalt that relate to matters jointly affecting Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG. In addition, the Bundesanstalt manages the Postal Civil Service Health Insurance Fund, the recreation programme, the *Versorgungsanstalt der Deutsche Bundespost* ("VAP") and the welfare service for Deutsche Post AG, Deutsche Postbank AG, Deutsche Telekom AG and the Bundesanstalt. The coordination and administration tasks are performed on the basis of agency agreements. In 2008, Deutsche Post AG was invoiced for €64 million (previous year: €65 million) in instalment payments relating to services provided by the Bundesanstalt, and Deutsche Postbank AG was invoiced for €8 million (previous year: €4 million).

Relationships with the German Federal Ministry of Finance

In financial year 2001, the *Bundesministerium der Finanzen* (BMF – German Federal Ministry of Finance) and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German acts on the reduction of misdirected housing subsidies) relating to housing benefits granted by Deutsche Post. In financial year 2008, Deutsche Post AG paid to the federal government the aggregate amount of approximately €0.68 million for financial year 2007 and around

€0.60 million in monthly instalments relating to financial year 2008. As agreed, the final settlement for financial year 2008 will be made by 1 July 2009.

Deutsche Post AG also entered into an agreement with the BMF dated 30 January 2004 relating to the transfer of civil servants to German federal authorities. Under this agreement, civil servants are seconded with the aim of transferring them initially for six months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the federal government by paying a flat fee. In 2008, this initiative resulted in six permanent transfers (previous year: 33) and two secondments with the aim of a permanent transfer (previous year: 2)

Relationships with Deutsche Telekom AG and its subsidiaries

In financial year 2008, the Group provided goods and services for Deutsche Telekom AG amounting to €0.35 billion (previous year: €0.4 billion). These were mainly transportation services for letters and parcels. In the same period, the Group purchased goods and services (including IT products and services) worth €0.4 billion (previous year: €0.4 billion) from Deutsche Telekom. Deutsche Telekom AG and Deutsche Postbank AG have also entered into a master loan agreement for €0.6 billion (previous year: €0.6 billion). In 2008, Deutsche Telekom AG had an issue of two loan notes placed by Deutsche Postbank International s.a. Luxembourg for €50 million each and a term to maturity of 6 years each.

Bundes-Pensions-Service für Post und Telekommunikation e. V.

Information on the Bundes-Pensions-Service für Post- und Telekommunikation e. V. can be found in [Note 7](#).

Deutsche Post Pensionsfonds GmbH & Co. KG

The real estate, with a fair value of €1,041 million (previous year: €1,040 million), of which Deutsche Post Betriebsrenten Service e. V. (DPRS), Deutsche Post Pensionsfonds GmbH & Co. KG, Deutsche Post Betriebsrenten-Service e. V. & Co. Objekt Gronau KG and Deutsche Post Grundstücks Vermietungsgesellschaft beta mbH Objekt Leipzig KG are the legal or beneficial owners, is exclusively let to Deutsche Post Immobilien GmbH. Rental expense for Deutsche Post Immobilien GmbH amounted to €58.0 million in 2008 (previous year: €56.4 million). The rent was always paid on time. Therefore no expense was incurred for valuation allowances on receivables and for bad debt losses in 2008 and none is expected to be incurred in future years. There were no sales relationships between external authorities and a Group company of Deutsche Post AG in 2008.

Relationships with unconsolidated companies and associates

In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with a large number of unconsolidated subsidiaries and associates deemed to be related parties to the Group, in the course of its ordinary business activities. In the course of these activities, all transactions for the provision of goods and services entered into with unconsolidated companies were conducted on an arm's length basis at standard market terms and conditions. Transactions were conducted in financial year 2008 with major related parties, resulting in the following items in the consolidated financial statements:

€m	2007	2008
Receivables	43	4
Loans	17	12
Receivables from in-house banking	6	2
Financial liabilities	-45	-45
Liabilities	-57	-3
Liabilities from in-house banking	-15	-9

56.2 Related-party disclosures (individuals)

In accordance with IAS 24, the Group also reports on transactions between the Group and related parties or members of their families. Related parties are defined as the Board of Management, Supervisory Board, heads of corporate departments or business departments (second-level executives) and the members of their families.

There were no reportable transactions between members of the Board of Management and their families and the Group in financial year 2008. In some cases, members of the Supervisory Board were involved in legal transactions with Deutsche Post AG. These mainly related to services rendered in a volume of €0.4 million, and loans granted by Deutsche Postbank AG. In a few cases, second-level executives indicated to have concluded agreements with Deutsche Post AG. The transactions mainly consisted of rendering consulting and other services. The volume of these transactions was

approximately €0.8 million. Deutsche Postbank AG granted loans to the second-level executives in the total amount of €2.4 million. The terms to maturity vary between 3 and 15 years. Unless a variable interest rate was agreed, the rate is between 3.2% and 5.6%. The amount of the loans was €2.2 million as at 31 December 2008.

The remuneration of key management personnel of the Group requiring disclosure under IAS 24 comprises the remuneration of the active Board of Management and Supervisory Board members. The active members of the Board of Management and the Supervisory Board were remunerated as follows:

thousands of €	2007	2008
Short-term employee benefits (less share-based remuneration)	16,599	12,565
Post-employment benefits	4,066	2,084
Termination benefits	8,363	0
Share-based remuneration	3,571	926
Total	32,599	15,575

The post-employment benefits are recognised as the service cost resulting from the pension provisions for active members of the Board of Management. The share-based remuneration amount relates to the share-based remuneration expense recognised in financial year 2008. It is itemised in the following table:

Share-based remuneration

thousands of €	2007			2008		
	Stock options	SAR	Total	Stock options	SAR	Total
Dr Frank Appel, Chairman	161	431	592	43	167	210
John Allan	0	35	35	0	84	84
Bruce Edwards	-	-	-	0	73	73
Jürgen Gerdes	11	105	116	11	96	107
John P. Mullen	106	431	537	43	131	174
Walter Scheurle	161	431	592	43	131	174
Hermann Ude	-	-	-	11	73	84
Dr Wolfgang Klein (until 9 November 2008)	0	0	0	0	0	0
Dr Klaus Zumwinkel (until 17 February 2008)	242	647	889	9	11	20
Prof. Dr Edgar Ernst (until 30 June 2007)	139	289	428	-	-	-
Dr Hans-Dieter Petram (until 30 June 2007)	118	146	264	-	-	-
Prof. Dr Wulf von Schimmelmann (until 30 June 2007)	118	0	118	-	-	-
Share-based remuneration	1,056	2,515	3,571	160	766	926

Further details on the share-based remuneration of the Board of Management in financial year 2008 are presented in the following table:

Number	Dr Frank Appel	John Allan	Bruce Edwards	Jürgen Gerdes	Dr Wolfgang Klein ¹⁾	John P. Mullen	Walter Scheurle	Hermann Ude	Dr Klaus Zumwinkel ²⁾
SOP									
Outstanding stock options as at 1 January 2008	163,560	0	0	42,814	17,272	114,844	138,560	40,376	245,342
Stock options granted	0	0	0	0	0	0	0	0	0
Stock options lapsed	97,572	0	0	25,542	0	97,572	97,572	24,060	146,358
Stock options exercised	0	0	0	0	17,272	0	15,000	0	0
Outstanding stock options as at 31 December 2008	65,988	0	0	17,272	0	17,272	25,988	16,316	98,984
Exercisable stock options as at 31 December 2008	65,988	0	0	17,272	0	17,272	25,988	16,316	98,984
Weighted average settlement price in €	Not exercised	Not exercised	Not exercised	Not exercised	22.68	Not exercised	23.33	Not exercised	Not exercised
Weighted average exercise price in €	Not exercised	Not exercised	Not exercised	Not exercised	17.00	Not exercised	17.00	Not exercised	Not exercised
Weighted average term to maturity in years	0.5			0.5		0.5	0.5	0.5	0.5
SAR									
Outstanding SAR as at 1 January 2008	430,000	55,000	170,508	244,172	0	430,000	430,000	107,262	645,000
SAR granted	345,000	230,000	230,000	230,000	0	230,000	230,000	230,000	0
SAR lapsed	0	0	0	0	0	0	0	0	0
SAR exercised	0	0	0	0	0	0	0	0	0
Outstanding SAR as at 31 December 2008	775,000	285,000	400,508	474,172	0	660,000	660,000	337,262	645,000
Exercisable SAR as at 31 December 2008	0	0	0	0	0	0	0	0	0
Weighted average settlement price in €	All SAR granted are still in their lock-up period								
Weighted average exercise price in €	All SAR granted are still in their lock-up period								
Weighted average term to maturity in years	1.67	2.30	1.78	1.78	n/a	1.53	1.53	2.02	1.01

1) Until 9 November 2008.

2) Until 17 February 2008.

Board of Management remuneration

The total remuneration paid to the active members of the Board of Management in financial year 2008 including the components with long-term incentive effect totalled €16.7 million (previous year: €22.1 million). Of this amount, €9.0 million (previous year: €8.7 million) relates to components not linked to performance (fixed salary and fringe benefits), €2.9 million (previous year: €7.0 million) for performance-linked components (variables) and €4.8 million (previous year: €6.4 million) to components with long-term incentive effect (SAR). The number of SAR amounted to 1,725,000 (previous year: 1,375,000).

Former members of the Board of Management

The remuneration of former members of the Board of Management or their surviving dependants amounted to €43.1 million in the year under review (previous year: €10.28 million; the prior-year figures were restated following application of German Accounting Standard (DRS) 17. The defined benefit obligations (DBO) for current pensions calculated under IFRS amount to €25.3 million (previous year: €27.0 million).

Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board in financial year 2008 amounted to approximately €0.67 million (previous year: €0.9 million); €0.5 million of this amount was attributable to

the fixed component (previous year: €0.6 million) and €0.1 million attendance allowances (previous year: €0.1 million). In financial year 2007, €0.2 million was paid as a short-term performance-related remuneration. Based on an agreement that has been terminated in the meantime, Prof. Dr von Schimmelmänn was paid €384,000 in financial year 2008 for consulting services rendered beyond his activities for the Supervisory Board.

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found in the Corporate Governance Report. The remuneration report contained in the Corporate Governance Report also forms part of the management report.

Shareholdings of the Board of Management and Supervisory Board

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

Reportable transactions

For the transactions of Board of Management and Supervisory Board members involving securities of the company notified to Deutsche Post AG in accordance with Section 15a of the *Wertpapierhandelsgesetz* (WpHG – German securities trading act), please refer to the website of the company.

57 Significant subsidiaries, joint ventures and associates

	Country	Equity interest and share of voting rights %		Revenue €m	
		31 December 2007	31 December 2008	2007 ¹⁾	2008 ¹⁾
Significant subsidiaries					
Continuing operations					
MAIL					
DHL Vertriebs GmbH & Co. OHG	Germany	100.00	100.00	1,597	1,630
Global Mail Inc.	US	100.00	100.00	556	486
DHL Global Mail (UK) Ltd.	UK	100.00	100.00	172	146
DHL Global Mail Services (France) SAS	France	100.00	100.00	3	113 ²⁾
Deutsche Post Customer Service Center GmbH	Germany	100.00	100.00	69	74
Interlanden B.V.	Netherlands	100.00	100.00	73	74
Deutsche Post Selekt Mail Nederland C.V.	Netherlands	51.00	51.00	65	57
Deutsche Post Com GmbH	Germany	100.00	100.00	40	47
Deutsche Post Global Mail (Australia) Pty Ltd.	Australia	100.00	100.00	29	33
Deutsche Post Adress GmbH & Co. KG	Germany	51.00	51.00	33	32
Güll GmbH	Germany	51.00	51.00	33	31
EXPRESS, GLOBAL FORWARDING/FREIGHT, SUPPLY CHAIN/CIS					
Exel Europe Ltd.	UK	100.00	100.00	3,283	3,049
DHL Express (USA) Inc.	US	100.00	100.00	3,127	2,486
Air Express International USA Inc.	US	100.00	100.00	1,848	1,735
DHL Freight GmbH	Germany	100.00	100.00	1,434	1,482
Exel Inc.	US	100.00	100.00	1,508	1,332
Danzas Z.F. Freight Agency Co. Ltd.	China	49.00	49.00	719	1,041 ³⁾
DHL Global Forwarding GmbH	Germany	100.00	100.00	964	1,016
DHL Express (Sweden) AB	Sweden	100.00	100.00	957	948
DHL Express (Italy) S.r.L.	Italy	100.00	100.00	891	895
DHL Global Forwarding (UK) Ltd.	UK	100.00	100.00	687	673
DHL Solutions GmbH	Germany	100.00	100.00	623	666
DHL Global Forwarding (Hong Kong) Ltd.	China	100.00	100.00	628	641
DHL Express (UK) Ltd.	UK	100.00	100.00	714	623
DHL Express Germany GmbH	Germany	100.00	100.00	581	595
DHL Global Forwarding (France) SAS	France	100.00	100.00	477	534
Exel UK Ltd.	UK	100.00	100.00	708	531
DHL Global Forwarding (Italy) S.p.A.	Italy	100.00	100.00	479	527
DHL Express Iberia S.L. (Group)	Spain	100.00	100.00	533	525
Exel Transportation Services Inc.	US	100.00	100.00	490	525
DHL Express (Netherlands) B.V.	Netherlands	100.00	100.00	682	524
DHL International (UK) Ltd.	UK	100.00	100.00	607	522
DHL Sinotrans International Air Courier Ltd.	China	51.68	51.68	458	491
DHL Logistics (Brazil) Ltda.	Brazil	100.00	100.00	398	479
DHL Logistics (China) Co., Ltd.	China	50.00	100.00	211	443 ⁴⁾
DHL Logistics (Schweiz) AG	Switzerland	100.00	100.00	400	431
DHL Exel Supply Chain (Spain) S.L.	Spain	100.00	100.00	420	423
Williams Lea Limited	UK	66.15	95.96	484	417
DHL Danzas Air & Ocean (Netherlands) B.V.	Netherlands	100.00	100.00	397	396
DHL Global Forwarding (Sweden) AB	Sweden	100.00	100.00	411	394
SCM Supply Chain Management Inc.	Canada	100.00	100.00	400	391
Discontinued operations					
Deutsche Postbank AG (Group)	Germany	50.00 + 1 share	62.35	10,344	11,226
Significant joint ventures⁵⁾					
Express Couriers Ltd.	New Zealand	50.00	50.00	84	86
Bahwan Exel LLC	Oman	50.00	49.00	22	32
Express Couriers Australia Pty Ltd.	Australia	–	50.00	–	28 ⁶⁾
Significant associates					
Air Hong Kong Ltd.	China	40.00	40.00		

1) IAS amounts reported in single-entity financial statements. 2) January 2008: Koba SA merged with DHL Global Mail Services (France) SAS. 3) Due to contractual arrangements, full consolidation in accordance with IAS 27.13 b. 4) Fully consolidated since April 2008. Previous year: proportionate amounts. 5) Proportionate amounts. 6) Established in February 2008.

58 Auditors' fees

The following fees for services rendered by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, in financial year 2008 and in the financial year before, were recognised as expense:

€m	2007	2008
Audits of the financial statements	13.7	14.5
Other assurance or valuation services	5.9	7.6
Tax advisory services	0.3	0.8
Other services	4.6	11.7
Auditors' fees	24.5	34.6

59 Making use of Section 264 (3) HGB

For financial year 2008, Deutsche Post AG has exercised the simplification options allowed by Section 264 (3) of the HGB for the following companies:

- Danzas Deutschland Holding GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Com GmbH
- Deutsche Post Consult GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post Fleet GmbH
- Deutsche Post Immobilien GmbH
- Deutsche Post IT BRIEF GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post Real Estate Germany GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Technischer Service GmbH
- Deutsche Post World Net Inhouse Consulting GmbH
- Deutsche Post World Net Market Research and Innovation GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL BWLog GmbH
- DHL Express Germany GmbH
- DHL Global Forwarding GmbH
- DHL Global Management GmbH
- DHL Home Delivery GmbH
- DHL Hub Leipzig GmbH
- DHL International GmbH
- DHL Logistics GmbH
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Solutions Großgut GmbH

- DHL Solutions Retail GmbH
- DHL Verwaltungs GmbH
- European Air Transport Leipzig GmbH
- interserv Gesellschaft für Personal- und Beraterdienstleistungen mbH
- ITG GmbH Internationale Spedition
- Werbeagentur Janssen GmbH
- Williams Lea Deutschland GmbH
- Williams Lea Direct Marketing Solutions GmbH
- Williams Lea Document Solutions GmbH
- Williams Lea Inhouse Solutions GmbH
- Williams Lea Marketing Solutions GmbH
- Williams Lea Print Solutions GmbH

60 Declaration of Conformity with the German Corporate Governance Code

On 16 December 2008, the Board of Management and the Supervisory Board of Deutsche Post AG together published the Declaration of Conformity with the German Corporate Governance Code for financial year 2008 required by Section 161 of the *Aktien-gesetz* (AktG – German stock corporation act). The Board of Management and the Supervisory Board of Deutsche Postbank AG, whose financial statements are included in the consolidated financial statements of Deutsche Post AG, made the Declaration of Conformity on 28 November 2008. The Declarations of Conformity can be accessed online at www.corporate-governance-code.de and at www.dpwn.com or www.postbank.com.

61 Significant events after the balance sheet date

On 14 January 2009, Deutsche Bank AG and Deutsche Post AG announced an adjustment to the structure of the Postbank share-acquisition contract. Deutsche Bank AG and Deutsche Post AG agreed on an improved transaction structure for Deutsche Bank's acquisition of Deutsche Postbank AG shares based on the previous purchase price. The contract now comprises three tranches. Under this new contractual structure, Deutsche Post AG received the proceeds of the whole transaction on the day of closing (25 February 2009) and thus far earlier than originally agreed. The cash value of the transaction is €4.9 billion.

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

At the same time, Deutsche Bank fully underwrote, in a second tranche, mandatory exchangeable bonds issued by Deutsche Post. After three years, these bonds – including interest payments

accrued – will be exchanged for 60 million Postbank shares, or a 27.4% stake. The bonds are zero-coupon bonds with a 4% accrued interest per year. The cash value of the bonds at the time of the closing is €2.6 billion.

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

62 Miscellaneous

The Group and the Spanish telecommunications operator Telefónica signed a telecoms service agreement in January 2009 to manage services across 28 European countries over the next five years. Telefónica will thus become the Group's primary fixed and mobile telecommunications provider in Europe. The agreement is expected to help save over €150 million in costs over the period. Subject to the antitrust authorities' regular approval and after conclusion of the transaction, the services will be managed by a dedicated service centre in Prague and is expected to go live in early summer of 2009. Due to a long-term agreement signed with Deutsche Telekom, Germany is exempted from this arrangement made with Telefónica.

63 Additional information: consolidated financial statements including the Deutsche Postbank Group at equity (Postbank at equity)

In addition to the consolidated financial statements with their full inclusion of the Deutsche Postbank Group, consolidated financial statements were prepared including the Deutsche Postbank Group at equity, since the activities of the Deutsche Postbank Group differ substantially from the ordinary activities of the other companies in the Group. The Deutsche Postbank Group was excluded from full consolidation in the following consolidated financial statements as at 31 December 2008. The Deutsche Postbank Group is accounted for in these supplemental financial statements only as a financial investment carried at equity. The accounting treatment in these financial statements differs from the standards required by the IFRS to the extent that the Deutsche Postbank Group was not fully consolidated, as required by IAS 27, but was accounted for at equity.

The cash flow statement including Postbank at equity is based on the consolidated financial statements including Postbank at equity. This means that the cash flows of the Deutsche Postbank Group are eliminated, but the cash flows between the Group companies and the Deutsche Postbank Group are re-included. In addition, net income from the measurement of the Deutsche Postbank Group at equity is included as non-cash income in net cash from operating activities. The dividend paid by Deutsche Postbank AG to Deutsche Post AG is included in cash flows from investing activities. All other items are treated in the same way as in the consolidated cash flow statement. Further disclosures relating to the cash flow statement can be found in [Note 50](#).

63.1 Additional information: income statement (Postbank at equity)

1 January to 31 December

€m	2007 restated ¹⁾	2008
Revenue	54,043	54,474
Other operating income	2,343	2,736
Total operating income	56,386	57,210
Materials expense	-30,703	-31,979
Staff costs	-17,169	-17,990
Depreciation, amortisation and impairment losses	-2,196	-2,662
Other operating expenses	-4,185	-5,146
Total operating expenses	-54,253	-57,777
Profit/loss from operating activities (EBIT)	2,133	-567
Net income from associates	3	2
Net income from measurement of Deutsche Postbank Group at equity	429	-357
Other financial income	103	621
Other finance costs	-1,051	-1,122
Net other finance costs	-948	-501
Net finance costs	-516	-856
Profit/loss before income taxes	1,617	-1,423
Income tax expense	-173	-200
Consolidated net profit/loss for the period	1,444	-1,623
attributable to Deutsche Post AG shareholders	1,383	-1,688
Minorities	61	65

1) See Note 5.

63.2 Additional information: balance sheet (Postbank at equity)

As at 31 December

€m	2007 restated ¹⁾	2008
ASSETS		
Intangible assets	12,792	11,627
Property, plant and equipment	7,826	6,676
Investment property	115	32
Investments in associates	203	61
Investments in Deutsche Postbank Group	1,639	2,173
Other non-current financial assets	754	574
Non-current financial assets	2,596	2,808
Other non-current assets	497	514
Deferred tax assets	537	1,033
Non-current assets	24,363	22,690
Inventories	248	269
Income tax assets	195	191
Receivables and other assets	9,377	8,715
Financial instruments	74	50
Cash and cash equivalents	1,339	1,350
Assets held for sale	50	48
Current assets	11,283	10,623
Total assets	35,646	33,313
EQUITY AND LIABILITIES		
Issued capital	1,207	1,209
Other reserves	875	439
Retained earnings	8,953	6,178
Equity attributable to Deutsche Post AG shareholders	11,035	7,826
Minority interest	146	111
Equity	11,181	7,937
Provisions for pensions and other employee benefits	4,846	4,685
Deferred tax liabilities	467	833
Other non-current provisions	2,073	2,511
Non-current provisions	7,386	8,029
Non-current financial liabilities	3,822	3,318
Other non-current liabilities	365	367
Non-current liabilities	4,187	3,685
Non-current provisions and liabilities	11,573	11,714
Current provisions	1,680	2,807
Current financial liabilities	1,156	779
Trade payables	5,211	4,980
Income tax liabilities	352	351
Other current liabilities	4,493	4,745
Liabilities associated with assets held for sale	0	0
Current liabilities	11,212	10,855
Current provisions and liabilities	12,892	13,662
Total equity and liabilities	35,646	33,313

1) See Note 5.

63.3 Additional information: cash flow statement (Postbank at equity)
1 January to 31 December

€m	2007 restated ¹⁾	2008
Net profit/loss before taxes	1,617	-1,423
Net finance costs excluding net income from measurement at equity	945	499
Net income from measurement at equity	-429	357
Profit/loss from operating activities (EBIT)	2,133	-567
Depreciation/amortisation of non-current assets	2,196	2,662
Net income from disposal of non-current assets	-226	-76
Non-cash income and expense	47	217
Change in provisions	-877	838
Change in other assets and liabilities	-146	-20
Income taxes paid	-278	-325
Net cash from operating activities before changes in working capital	2,849	2,729
Changes in working capital		
Inventories	10	-50
Receivables and other assets	-657	583
Liabilities and other items	606	100
Net cash from operating activities	2,808	3,362
Proceeds from disposal of non-current assets		
Subsidiaries and other business units	62	0
Property, plant and equipment and intangible assets	625	1,421
Other non-current financial assets	131	162
	818	1,583
Cash paid to acquire non-current assets		
Subsidiaries and other business units	-261	-424
Property, plant and equipment and intangible assets	-1,930	-1,660
Other non-current financial assets	-152	-1,085
	-2,343	-3,169
Interest received	112	570
Dividend Postbank	103	103
Current financial instruments	0	-1
Net cash used in investing activities	-1,310	-914
Proceeds from issuance of non-current financial liabilities	552	176
Repayments of non-current financial liabilities	-452	-497
Change in current financial liabilities	-857	-337
Other financing activities	153	-148
Dividend paid to Deutsche Post AG shareholders	-903	-1,087
Dividend paid to other shareholders	-56	-80
Issuance of shares under stock option plan	73	21
Interest paid	-411	-434
Net cash used in financing activities	-1,901	-2,386
Net change in cash and cash equivalents	-403	62
Effect of changes in exchange rates on cash and cash equivalents	-46	-53
Changes in cash and cash equivalents due to changes in consolidated group	27	2
Cash and cash equivalents at beginning of reporting period	1,761	1,339
Cash and cash equivalents at end of reporting period	1,339	1,350

1) See Note 50.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bonn, 25 February 2009

Deutsche Post AG

The Board of Management



 Dr Frank Appel



 John Allan



 Bruce Edwards



 Jürgen Gerdes



 John P. Mullen



 Walter Scheurle



 Hermann Ude

Auditor's Report

We have audited the consolidated financial statements prepared by Deutsche Post AG, Bonn, comprising the income statement, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB ("Handelsgesetzbuch"; German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence sup-

porting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 13 February 2009 and 25 February 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Klaus-Dieter Ruske	Hans-Joachim Holte
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)