

January to March 2008

Interim Report



Key figures

		Q1		+/- %
		2007 restated	2008	
Group				
Revenue	€m	15,473	15,748	1.8
Profit from operating activities (EBIT)	€m	998	851	-14.7
Return on sales ¹⁾	%	6.4	5.4	
Consolidated net profit for the period ²⁾	€m	499	407	-18.4
Operating cash flow (Postbank at equity)	€m	250	141	-43.6
Net debt (Postbank at equity) ³⁾	€m	2,858	2,975	4.1
Earnings per share	€	0.41	0.34	-17.1
Number of employees ⁴⁾		470,123	476,998	1.5
Divisions				
MAIL				
Revenue	€m	3,954	3,900	-1.4
Profit from operating activities (EBIT)	€m	660	599	-9.2
Return on sales ¹⁾	%	16.7	15.4	
EXPRESS				
Revenue	€m	3,333	3,367	1.0
Profit from operating activities (EBIT)	€m	31	21	-32.3
Return on sales ¹⁾	%	0.9	0.6	
LOGISTICS				
Revenue	€m	6,217	6,235	0.3
Profit from operating activities (EBIT)	€m	201	173	-13.9
Return on sales ¹⁾	%	3.2	2.8	
FINANCIAL SERVICES				
Revenue	€m	2,484	2,766	11.4
Profit from operating activities (EBIT)	€m	243	190	-21.8
Corporate Center/Other				
Revenue	€m	-515	-520	-1.0
Loss from operating activities (EBIT)	€m	-137	-132	3.6

1) EBIT/revenue.

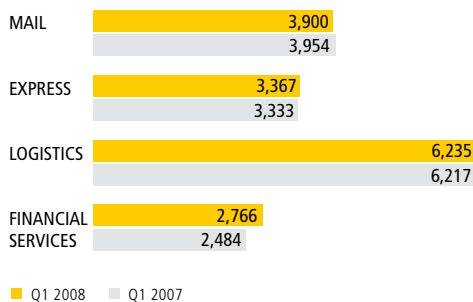
2) Consolidated net profit for the period excluding minorities.

3) As at 31 December 2007 and 31 March 2008; adjusted for financial liabilities to Williams Lea minority shareholders.

4) Average FTEs.

Revenue by division^{1), 2)}

€m



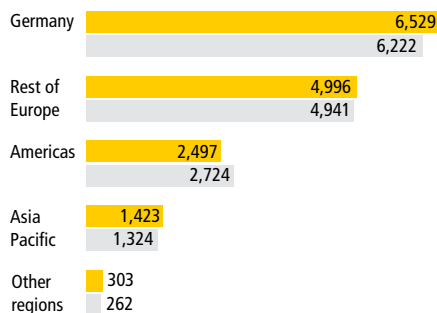
■ Q1 2008 ■ Q1 2007

1) Excluding Corporate Centre/Other.

2) Note 8.

Revenue by region¹⁾

€m



■ Q1 2008 ■ Q1 2007

1) Segment reporting, page 27.

■ Deutsche Post World Net

is the global market leader for logistics. Our Deutsche Post, DHL and Postbank brands stand for a wide range of integrated services and customised solutions for the management and transport of letters, goods, information and payments. With approximately 500,000 employees in more than 220 countries and territories, we are one of the world's largest employers.

■ What we have delivered in the first quarter of 2008:

Although the US economy slowed appreciably and Germany had two working days fewer than in the first quarter of 2007, we generated revenue of €15,748 million and EBIT of €851 million, a satisfactory performance overall. Adjusted for non-recurring effects, EBIT rose by 6.4%. We also implemented key elements of our capital markets programme, the Roadmap to Value.

■ What we intend to deliver by the end of 2008:

Our goal remains unchanged in financial year 2008: to achieve EBIT before non-recurring effects of around €4.2 billion. We also plan to continue implementing the Roadmap to Value, our route to sustained value growth. Our largest challenge remains our underperforming express business in the United States, where we will initiate the steps needed to improve results.

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Dear shareholders,

After eighty days as Chairman of the Board of Management, I can assure you that we are working at full stretch to pave the way for the company's continued success.

Important structural moves and staff appointments have already been decided. At the beginning of March, we allocated responsibility for the logistics business between two board departments that will be led by my experienced and esteemed colleagues Hermann Ude and Bruce Edwards.

We are making good headway in implementing our capital markets programme, the Roadmap to Value. At the beginning of April, we reached an agreement for the sale of a portfolio of real estate assets to US investor Lone Star for €1 billion. The past few months have also seen us set in motion disposals totalling €350 million, which means we have already surpassed our goal of generating at least €1 billion from real estate disposals by 2009. In addition, we have identified more than 100 projects through which we intend to boost our profitability.

Our business performance in the first quarter is both in line with our plans and satisfactory overall, given the weakness in the US economy and the lower number of working days in Germany. EBIT before non-recurring effects came to some €1 billion on a rise in revenue to €15.7 billion.

Numerous discussions held with analysts and investors in recent weeks confirm that we are on the right track with our plan of action. The main challenge remains our underperforming US express business, for which we will reach a solution in the coming weeks. We are also discussing Postbank's future prospects in some detail, with an eye towards both companies and their shareholders.

Lastly, I am pleased that we reached an agreement at the negotiating table with our social partner Verdi for about 130,000 Deutsche Post employees. I consider the agreement, which is moderate and sustainable for both sides, as good news for our employees, our customers and for you, our shareholders.

Bonn, 7 May 2008



Yours faithfully,

Dr Frank Appel

Chairman of the Board of Management

Milestones

Group may transfer global IT functions to HP

24 January 2008 Deutsche Post und Hewlett-Packard sign a letter of intent to transfer responsibility for some of the Group's global IT operations to HP Services. Further details can be found in the Notes to the Consolidated Interim Financial Statements (Note 9).

Supervisory Board decides on changes to Group Board of Management

18 February 2008 The Supervisory Board accepts the decision of Dr Klaus Zumwinkel (64) to resign as Chairman of the Board of Management of Deutsche Post AG and appoints Dr Frank Appel (46) as his successor.

4 March 2008 The Supervisory Board appoints Bruce Edwards (52) and Hermann Ude (46) to the Board of Management and decides on a number of changes, which we outline in the Board of Management's interim report (page 5).

Deutsche Post increases stake in Williams Lea

17 March 2008 Deutsche Post World Net increases its 66% stake in Williams Lea, the leading provider of corporate information solutions, to 96%. The Group has made an unconditional cash offer, valid until 18 April 2008, to acquire the outstanding shares held by Williams Lea's minority shareholders.

DHL signs largest ever contract in the automotive sector

19 March 2008 DHL Exel Supply Chain is awarded a three-year contract, worth the equivalent of almost €130 million per annum, to manage in-plant logistics and the sourcing of auto components for Jaguar and Land Rover in Europe.

Deutsche Post World Net sells real estate portfolio to investor

1 April 2008 The Group sells a portfolio of approximately 1,300 properties located mainly in Germany to US investor Lone Star for €1 billion in cash. The contract takes economic effect on 1 July 2008. Deutsche Post World Net will lease back the majority of the properties.

Deutsche Post World Net launches global climate protection programme

8 April 2008 Deutsche Post World Net becomes the first major player in its industry to set itself a measurable climate protection target. For every letter posted, every container shipped and every square metre of space used, the Group aims to reduce its carbon footprint by 30% below 2007 levels by 2020.

Advances

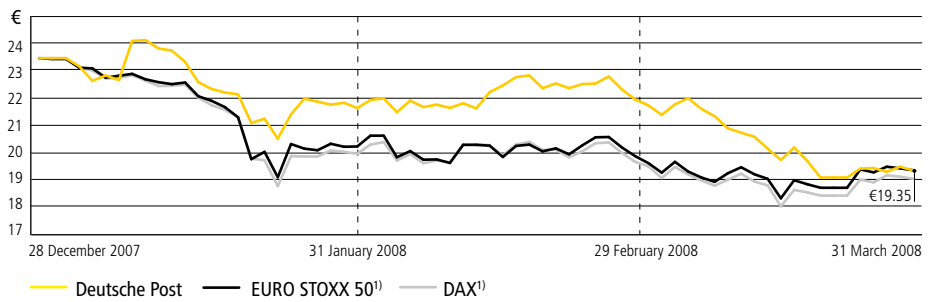


ROADMAP TO VALUE

1	Profitability	<ul style="list-style-type: none"> Potential transfer of some global IT responsibilities to HP. Operating improvement initiatives on track.
2	Cash generation	<ul style="list-style-type: none"> Real estate disposals amount to €1.35 bn (versus €1 bn target). Working capital improvements on track. "EBIT after Asset Charge" introduced.
3	Payout	<ul style="list-style-type: none"> Dividend of €0.90 per share for 2007 proposed, approved and paid.
4	Transparency	<ul style="list-style-type: none"> First quarter after unbundling SERVICES segment. Presentation of cash flow and capital expenditure (capex) by division. Volume figures for express business.
5	Organic growth	<ul style="list-style-type: none"> Strong growth of DHL in developing regions.

Shares

Share price performance



Our share data

		28 Dec. 2007	31 March 2008
Number of shares ¹⁾	millions	1,207.5	1,208.1
Closing price	€	23.51	19.35
Market capitalisation	€m	28,388	23,377
Q1			
		30 March 2007	31 March 2008
High	€	25.50	24.18
Low	€	22.03	19.09
Average trading volume per day	shares	6,371,626	7,788,490

1) Increase due to the exercise of stock options, see Note 3.

US housing market crisis puts stock markets under pressure

Global stock markets suffered badly during the first quarter of 2008. The EURO STOXX 50 lost 17.6% of its value and the DAX as much as 19.0%. The Asian markets also failed to escape the sharp price falls, which were triggered by the crisis in the US mortgage market that continues to unnerve investors. Each announcement of write-downs by the banks increased fears that the crisis could also spread to Europe's real economy. This reduced investors' appetite for risk and as a result the number of mergers and acquisitions in the USA dropped by almost a third.

Peer group comparison

		28 Dec. 2007	31 March 2008	+/- %	30 March 2007	31 March 2008	+/- %
Deutsche Post	€	23.51	19.35	-17.7	22.66	19.35	-14.6
TNT	€	28.18	23.53	-16.5	34.33	23.53	-31.5
FedEx	US\$	90.62	92.67	2.3	107.43	92.67	-13.7
UPS	US\$	71.56	73.02	2.0	70.10	73.02	4.2
Kühne + Nagel	CHF	108.50	99.35	-8.4	99.95	99.35	-0.6

Deutsche Post shares adversely affected

Our shares ultimately succumbed to the negative market trend, closing the first quarter of 2008 down 17.7% at €19.35 and thereby indicating that we were clearly outperformed by our US competitors. Uncertainty with regard to the future wage agreement with the trade union Verdi also had an impact. Once again, the average number of shares traded on a daily basis rose year-on-year, this time by 22% to 7.8 million.

Interim Report by the Board of Management

Business and Environment

Economic environment

At the start of the year, the global economy remained on course for growth. However, whilst vigorous activity was sustained primarily in the emerging markets, the US economy continued to falter.

Private consumption in the United States was hampered by high oil prices and the housing market crisis. Growing fears of a recession and the weakness of the financial system caused the US Federal Reserve to cut its key interest rate four times by a total of 2.25 percentage points to 2%.

The solid upsurge in Asia continued. After a strong final quarter in 2007, however, Japanese economic output has undoubtedly been growing much more slowly since the start of this year. Although the growth in China's GDP slowed a little in the first quarter, it remained very high at 10.6% compared with last year.

The data available thus far indicate that the euro zone has maintained its moderate growth despite the strong euro and the international financial crisis. Even though the economic risks have increased, the European Central Bank held its key interest rate steady at 4%.

In Germany, industry and foreign trade in particular have been developing well. Domestic demand for capital goods has also remained high. The overall robustness of the German economy is corroborated by the ifo Business Climate Index, which continues to be at a high level.

Organisational changes

On 18 February 2008, the Supervisory Board of Deutsche Post AG appointed Dr Frank Appel as the new chairman of the Board of Management. He had been the Board member in charge of the LOGISTICS Division. His appointment prompted us to reallocate responsibility for LOGISTICS in the middle of the first quarter and divide it between two Board of Management members. Hermann Ude is to head the Global Forwarding, Freight board department, which integrates the Global Forwarding and Freight business units. Bruce Edwards' board department is now overseeing the Supply Chain and Corporate Information Solutions business units.

This new structure reflects the increasing business volume and the different business models, Global Forwarding and Freight engage chiefly in transport services, whilst Supply Chain and Corporate Information Solutions offer customised logistics solutions.

As part of this reorganisation, responsibility for the Global Mail Business Unit was passed back to the MAIL board department. We will adjust the reporting structure accordingly for the first half of 2008.

In view of their strategic significance to the Group, responsibility for Global Customer Solutions, the company-wide unit that serves our largest customers, and the First Choice programme has been passed to the chairman's board department.

Revenue and Earnings Development

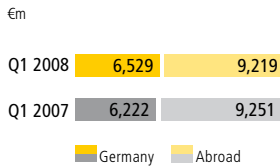
Material changes in reporting and portfolio

As announced, we have unbundled the SERVICES Division and adapted our reporting structure. The costs of Global Business Services have been allocated to the operating units and the retail outlets have been the responsibility of the MAIL Division since the beginning of the year. We now report a more narrowly defined unit, Corporate Center/Other. Details can be found in the ⓘ notes on the segment reporting.

ⓘ Note 8

Flying Cargo International Transportation Ltd., the Israeli company acquired on 31 December 2007, is included for the first time in the results for the reporting period.

Consolidated revenue



Consolidated revenue

Consolidated revenue and income from banking transactions rose by 1.8% compared with the first quarter of 2007 to €15,748 million (previous year: €15,473 million). Negative currency effects reduced revenue by €681 million. Despite the Group's global growth, the proportion of revenue generated outside Germany dropped year-on-year from 59.8% to 58.5% as a result of exchange rate movements.

Income and expenses

At €479 million, other operating income was almost on a par with the previous year. The figure for the first quarter of 2007 included non-recurring income of €59 million from the sale of Vfw AG but was depressed by non-recurring expenses of €24 million incurred at Postbank for the integration of BHW and for efficiency improvement programmes, amongst other things. In the period under review, Postbank incurred non-recurring expenses of €48 million in connection with the subprime crisis and a further €126 million as a result of write-downs on embedded derivatives.

Materials expense and expenses from banking transactions increased from €8,693 million to €9,191 million. The increase in materials expense from €7,186 million to €7,371 million was driven in particular by the rise in the global oil price. In line with income from banking transactions, expenses from banking transactions rose from €1,507 million to €1,820 million. Staff costs declined slightly, by 2.1% to €4,583 million, due primarily to currency effects. At €393 million, depreciation, amortisation and impairment losses were €27 million down on the prior-year figure. The impairment losses recognised on non-current assets in the Americas express business at the end of 2007 anticipated some of the write-downs. Further impairment losses were recognised on additions to non-current assets in the Americas express business in the first quarter of 2008.

Other operating expenses rose by €56 million to €1,209 million, mainly as a result of higher expenses from currency translation differences. Income from currency translation differences came to a similar amount; it is reflected in other operating income.

Earnings

The developments described above led to profit from operating activities (EBIT) of €851 million, €147 million or 14.7% less than in the first quarter of 2007. The prior-year figure included the non-recurring income from the sale of Vfw AG (€59 million) and Postbank's non-recurring expenses (€24 million) as described; the figure for the reporting period included Postbank's non-recurring expenses (€174 million) as described. Adjusted for these items, EBIT improved by 6.4%.

At €263 million, net finance costs remained roughly in line with the previous year (€262 million).

Profit before income taxes declined by 20.1% to €588 million (previous year: €736 million). Income tax expense fell from €147 million to €108 million, partly due to the positive impact of the business taxation reform in Germany. This reduced the Group tax rate from 20.0% to 18.4%.

Consolidated net profit for the period declined by 18.5% to €480 million (previous year: €589 million). Of this amount, €407 million is attributable to Deutsche Post shareholders and €73 million to minorities. Basic and diluted earnings per share fell from €0.41 to €0.34.

Note 7

Consolidated EBIT €m

Q1 2008	851
Q1 2007	998

Divisions

Overview

EBIT and revenue

€m	Q1		+/- %
	2007 restated	2008	
MAIL			
Profit from operating activities (EBIT)	660	599	-9.2
Revenue	3,954	3,900	-1.4
of which Mail Communication	1,606	1,544	-3.9
Dialogue Marketing (formerly: Direct Marketing)	744	724	-2.7
Press Services (formerly: Press Distribution)	210	203	-3.3
Parcel Germany	628	636	1.3
Retail outlets	211	200	-5.2
Global Mail/Corporate Information Solutions	801	818	2.1
Consolidation/Other	-246	-225	8.5
EXPRESS			
Profit from operating activities (EBIT)	31	21	-32.3
Revenue	3,333	3,367	1.0
of which Europe	1,598	1,669	4.4
Americas	1,047	942	-10.0
Asia Pacific	591	628	6.3
EEMEA (Eastern Europe, Middle East, Africa)	232	263	13.4
Consolidation	-135	-135	0.0
LOGISTICS			
Profit from operating activities (EBIT)	201	173	-13.9
Revenue	6,217	6,235	0.3
of which DHL Global Forwarding	2,194	2,356	7.4
DHL Exel Supply Chain	3,188	3,054	-4.2
DHL Freight	917	925	0.9
Consolidation/Other	-82	-100	-22.0
FINANCIAL SERVICES			
Profit from operating activities (EBIT)	243	190	-21.8
Revenue	2,484	2,766	11.4
Corporate Center/Other			
Loss from operating activities (EBIT)	-137	-132	3.6
Revenue	-515	-520	-1.0
Group			
Profit from operating activities (EBIT)	998	851	-14.7
Revenue	15,473	15,748	1.8

MAIL Division

Since the start of the 2008 financial year, we have been reporting on the Deutsche Post retail outlets in the MAIL Division. In view of structural changes in the way costs are allocated in connection with the unbundling of the SERVICES Division, we have restated the prior-year figures.

In the first quarter of 2008, revenue decreased by 1.4% to €3,900 million (previous year: €3,954 million). Compared with 2007, the period was 2.0 working days shorter because the Easter holiday occurred in March. This factor was not entirely compensated by growth in the international mail business. All in all, revenue per working day was higher than the previous year. Negative currency effects arose in the amount of €62 million.

The German letter mail market was fully liberalised at the start of the year. Revenue in the Mail Communication Business Unit declined from €1,606 million to €1,544 million. The increasing use of electronic means of communication is resulting in ongoing shrinkage of the market, whilst at the same time competition is becoming more intense. Volumes continued to decline throughout the reporting period.

Mail Communication (Deutsche Post AG share)

mail items (millions)	Q1		
	2007	2008	+/- %
Business customer letters	1,838	1,794	-2.4
Private customer letters	333	328	-1.5
Total	2,171	2,122	-2.3

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

The trend in the Dialogue Marketing Business Unit is being shaped by the cautious advertising activities of major customers, especially those in the mail order segment. Although the volume of unaddressed advertising mail rose, quarterly revenue in this unit fell year-on-year by 2.7% to €724 million.

Dialogue Marketing (Deutsche Post AG share)

mail items (millions)	Q1		
	2007	2008	+/- %
Addressed advertising mail	1,725	1,692	-1.9
Unaddressed advertising mail	1,169	1,248	6.8
Total	2,894	2,940	1.6

Revenue in the Press Services Business Unit decreased by 3.3% to €203 million. Both the number of pages and the weight of newspapers and magazines have fallen because their advertising content is diminishing. The average prices for distributing these items have therefore dropped.

The Parcel Germany Business Unit pushed up its revenue by 1.3%, from €628 million to €636 million. The growing significance of e-commerce is reflected here in the increased sales volumes with our business and private customers.

Parcel Germany

items (millions)	Q1		
	2007	2008	+/- %
Business customer parcels ¹⁾	161	163	1.2
Private customer parcels	26	27	3.8
Total	187	190	1.6

1) Including intra-Group sales.

With more than 13,500 outlets, we have one of the densest networks of fixed-location retail outlets in Germany, where our customers are able take care of their postal and often banking needs.

Despite negative currency effects of €62 million, revenue in the Global Mail and Corporate Information Solutions units rose by 2.1%, from €801 million to €818 million. We made progress in international mail business by way of volume increases in the United States domestic market, amongst other things. In contrast, the banking crisis in the United Kingdom exerted pressure on the revenue of Williams Lea.

Mail International: volumes

mail items (millions)	Q1		
	2007	2008	+/- %
DHL Global Mail	1,774	1,795	1.2

Profit from operating activities (EBIT) fell by 9.2% from €660 million to €599 million, mainly because, as mentioned above, the period was 2.0 working days shorter. Operating cash flow amounted to €121 million; the return on sales was 15.4%.

EXPRESS Division

Since we intend to increase our reporting transparency as part of the Roadmap to Value, we are now separating the coverage of our performance by product group. Our main product lines, Time Definite and Day Definite, meet our customers' varying requirements for speed of delivery.

Revenue in the EXPRESS Division climbed by 1.0% to €3,367 million in the first three months. Since more than half of this was generated in countries outside the euro zone, however, currency effects decreased revenue substantially, by €225 million. Measured in local currencies, we attained organic revenue growth of 6.5%, driven by increasing shipment volumes both internationally (2.5% more time-definite shipments per day) and domestically (0.7% and 7.4% more time-definite and day-definite shipments per day respectively). We were also able to pass on the increase in fuel costs to our customers by way of a higher surcharge, which accounted for about half of the organic revenue growth.

Revenue in Europe increased by 4.4% to €1,669 million (previous year: €1,598 million). The total contains negative currency effects in the amount of €31 million, attributable chiefly to our UK business. The underlying organic growth for the region was 3.6%. The new EU member states as well as France and the Benelux countries developed well in the first quarter of 2008.

Negative currency effects of €128 million continued to have an impact on the presentation of our figures for the Americas region, where revenue slipped by 10%, from €1,047 million in the previous year to €942 million. In local currency, the organic growth rate was 2.2%. Business in Latin America once again proved especially strong. Measured against the prior year, we also posted a moderate rise in the United States where reduced shipment volumes and a lower product yield in the domestic time-definite business were compensated by vigorous growth with our day-definite products and increasing international activities.

In the Asia Pacific and EEMEA (Eastern Europe, Middle East and Africa) regions, organic revenue growth increased by 13.0% and 24.6% respectively. Once again, we achieved the highest rates in Russia and the Middle East. Negative currency effects reduced revenue by €67 million but were eliminated in the calculation of organic revenue growth.

Time Definite International

Revenue per day¹⁾
€m



Shipments per day
thousands



Time Definite Domestic

Revenue per day¹⁾
€m



Shipments per day
thousands



Day Definite Domestic

Revenue per day¹⁾
€m



Shipments per day
thousands



¹⁾ Currency effects have been eliminated from the revenue per day data.

Profit from operating activities (EBIT) in the first quarter fell year-on-year by 32.3%, from €31 million to €21 million, principally because of the fewer working days, especially in Europe, and slowing economic development, particularly in the USA. This slowdown fuelled the shift from high-margin domestic time-definite to day-definite business in the United States, which prompted higher losses in the Americas region. In light of the economic environment, the trend in the remaining regions is acceptable. Furthermore, the first quarter of 2008 saw higher expenses compared with the prior-year period for the new European air hub in Leipzig. The return on sales decreased year-on-year by 0.3 percentage points to 0.6% and the operating cash flow totalled €-19 million.

LOGISTICS Division

Overall the growth and performance of our logistics business developed favourably in the first quarter of 2008. Revenue increased by 0.3% to €6,235 million (previous year: €6,217 million). The total was impaired by negative currency effects of around €390 million. Organically, our revenue grew by 6.6%.

DHL Global Forwarding generated revenue of €2,356 million (previous year: €2,194 million). Thus, revenues grew by 7.4% year-on-year despite negative currency effects.

Air freight volumes rose by 6.6% in the first quarter of 2008 above market growth of around 4% to 5%. Revenue increased by 5.1% although negatively impacted by currency effects and lower freight rates on key trade lanes. Our business performed well, above all in Europe, the Middle East and Africa.

DHL Global Forwarding: revenue by segment

€m	Q1		
	2007	2008	+/- %
Air freight	1,160	1,219	5.1
Ocean freight	686	758	10.5
Other	348	379	8.9
Total	2,194	2,356	7.4

DHL Global Forwarding: volumes

thousands		Q1		
		2007	2008	+/- %
Air freight	Tonnage	1,002	1,068	6.6
Ocean freight	TEUs ¹⁾	576	639	10.9

1) Twenty-foot equivalent units.

Ocean freight volumes grew by 10.9% in the first quarter of 2008. We outperformed the market, which grew by 7% to 8%. Our revenue growth came to 10.5%. Revenues increased above all in Europe, in the Middle East and in Africa. Moreover, our business performed well in Latin America and in Asia Pacific.

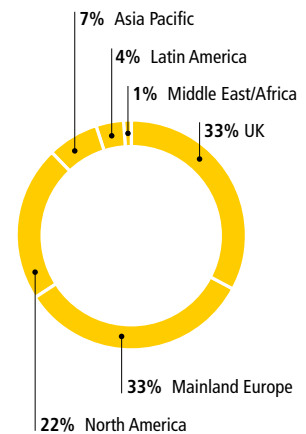
DHL Exel Supply Chain's revenues decreased by 4.2% to €3,054 million (previous year: €3,188 million) due to heavy negative currency impacts of around €250 million. Organically, revenue grew by 3.7% due to higher growth in all regions, primarily in the UK, in North America and in Eastern Europe. In the period under review we generated new business of around €250 million in annualised revenue. The renewal rate was 90%.

In the first quarter of 2008, DHL Freight reported revenue of €925 million (previous year: €917 million). Business shows organic growth of 1.6% with good performances in the Benelux countries, Eastern Europe and Germany, mainly coming from volume and price increases.

Profit from operating activities (EBIT) was €173 million in the reporting period (previous year: €201 million). The previous year was heavily influenced by the sale of Vfw AG, which generated non-recurring income of €59 million. Adjusted for this inorganic effect and negative currency effects of €15 million, our operative EBIT here was very positive growing by 23%. Return on sales before non-recurring effects rose from 2.3% to 2.8%.

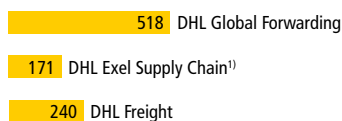
Operating cash flow in the first quarter was €225 million.

**DHL Exel Supply Chain:
revenue by regional split**
Q1 2008



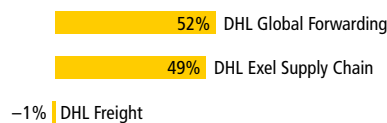
**Gross profit
by business unit**

Q1 2008
€m



EBIT by business unit

Q1 2008



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

FINANCIAL SERVICES Division

The FINANCIAL SERVICES Division consists primarily of Deutsche Postbank.

As one of the largest financial services providers in Germany, the Deutsche Postbank Group serves some 14.5 million customers, has a workforce of around 22,000 and employs about 4,200 mobile financial advisers. Postbank's core competence is its retail banking business. It also engages in corporate banking and, in the Transaction Banking unit, provides processing services to other financial institutions, chiefly in the payment transactions segment.

Deutsche Postbank AG presents its business performance for the first three months of 2008 in its own [i](#) interim report published on 8 May 2008.

[i](#) ir.postbank.com

During the period under review, the division generated revenue of €2,766 million, which exceeded the previous year's figure of €2,484 million by 11.4%. The balance sheet-related revenues of Postbank decreased by 15.9% year-on-year to €567 million.

Profit from operating activities (EBIT) in the first quarter dropped by 21.8%, from €243 million in Q1 2007 to €190 million. In particular, this decline in profit reflects temporary value fluctuations connected with the financial market crisis, which exerted a negative impact in the first quarter. Operating business, in contrast, developed well despite a difficult climate in the German retail banking business.

Net Assets and Financial Position

Financial management

The principles and aims of financial management presented in the [i](#) 2007 Annual Report starting on page 38 are being pursued unchanged. In the first quarter of 2008, the euro was again the Group's most important currency in which debt is denominated. Including hedging transactions, it accounted for 53% of net debt, whilst the share of net debt denominated in US dollars was 32%. The other basic financial data outlined in the Annual Report are still valid.

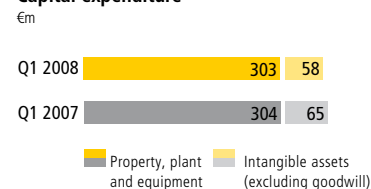
[i](#) investors.dpwn.com

Our credit quality continues to be highly rated. As a result, the current crisis in the financial markets is not adversely affecting our liquidity position or refinancing options, as the launch of the commercial paper programme at the start of the year demonstrated. After being used to raise an average of €250 million to €500 million a month, it has become very well established. In addition, the Group currently has unsecured firm credit lines totalling some €4.2 billion, of which €484 million had been used as at 31 March. Average drawings on credit lines stood at around 10.7% in the first quarter (previous year: 1.1%).

Capital expenditure

The Group's capital expenditure (capex) amounted to €361 million in the period to the end of March (previous year: €369 million). Of this figure, €303 million was attributable to investments in property, plant and equipment and €58 million to intangible assets excluding goodwill. Investments in property, plant and equipment related mainly to advance payments and assets under development (€149 million), technical equipment and machinery (€36 million), transport equipment (€34 million), IT equipment (€27 million) and other operating and office equipment (€19 million).

Capital expenditure



Capex and depreciation

€m	MAIL		EXPRESS		LOGISTICS		FINANCIAL SERVICES		Corporate Center/ Other		Group	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
	Capex	42	33	136	150	123	127	18	17	50	34	369
Depreciation on assets	109	96	108	104	96	95	41	35	66	63	420	393
Capex versus depreciation ratio	0.39	0.34	1.26	1.44	1.28	1.34	0.44	0.49	0.76	0.54	0.88	0.92

In the MAIL Division a total of €33 million was invested (previous year: €42 million), with the domestic mail, retail outlet and parcel business accounting for the largest share. Above all, we purchased replacement IT and transport equipment, optimised production processes and installed *Packstationen* and *Paketboxen*. In the Global Mail network we further developed a software platform. In Corporate Information Solutions the focus was on customer projects.

In the EXPRESS Division capital expenditure increased year-on-year from €136 million to €150 million. Breaking it down into individual investments reveals that significant amounts were invested in the development of the air hubs in the Asia Pacific region and in our global aircraft network. We also pushed on with the construction of the new European air hub at Leipzig/Halle airport and refurbished the vehicle fleet in several countries. In the EEMEA region, the focus remained on the growth markets of Russia and the Middle East.

In the LOGISTICS Division capital expenditure increased slightly from €123 million to €127 million, the majority of which was invested in the DHL Exel Supply Chain business, primarily in customer-specific transport services, warehouse solutions and information systems to support the relevant processes. These investments were made mainly in the United Kingdom, Germany and the USA. In the DHL Global Forwarding business, we continued to improve building facilities and the IT infrastructure. In the DHL Freight business, we modernised the vehicle fleet.

Postbank invested mainly in testing its newly designed branches and also optimised its mobile advisers' communication technology. Further investments were made in connection with projects aimed at implementing suitable processes and procedures relating to the flat tax on investment income, progressing the implementation of Basel II and further optimising liquidity management. At €17 million in total, investments in the FINANCIAL SERVICES Division were on a par with the previous year.

Cross-divisional investments declined from €49 million to €34 million, mainly because of lower investment in information technology. Deutsche Post Fleet GmbH replaced vehicles that had reached the end of their optimum useful life and purchased additional vehicles.

During the first quarter of 2008, there were no other material changes in the Group's investment projects presented in the [2007 Annual Report](#), starting on page 41.

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Cash flow disclosures (Postbank at equity)

Selected cash flow indicators (Postbank at equity)

€m	Q1	
	2007	2008
Cash and cash equivalents as at 31 March	1,306	1,237
Change in cash and cash equivalents	-455	-102
Net cash from operating activities	250	141
Net cash used in investing activities	-315	-24
Net cash used in financing activities	-409	-182

In the Postbank at equity scenario, net cash from operating activities declined by €109 million year-on-year to €141 million, two of the reasons being that the net outflow of working capital increased by €24 million and, at €672 million, EBIT was €86 million below the prior-year figure.

At €24 million, net cash used in investing activities was significantly down on the prior-year period (€315 million). In particular, proceeds from the disposal of non-current assets rose sharply. These amounted to €308 million and stemmed mainly from the sale of real estate. Cash was used, amongst other things, to acquire Flying Cargo Ltd. and DHL Pakistan Ltd. We purchased non-current assets worth €356 million.

The changes described in cash and cash equivalents resulted in free cash flow of €117 million. By contrast, in the first quarter of 2007, net cash used in investing activities exceeded net cash from operating activities by €65 million.

Net cash used in financing activities amounted to €182 million, €227 million less than in the previous year. At €208 million, interest payments accounted for the largest share, whilst the change in financial liabilities led to a cash inflow of €21 million.

Compared with 1 January 2008, cash and cash equivalents fell by €102 million to €1,237 million due to the changes described in the cash flows from the individual activities. €-37 million was attributable to currency effects.

Consolidated balance sheet

Total assets amounted to €253,734 million as at 31 March 2008, €18,268 million more than at 31 December 2007. This was due above all to Postbank's successful operating business, which affects receivables and other securities and liabilities from financial services.

Non-current assets declined by €1,554 million to €24,190 million. This decline primarily reflects the planned sale of real estate and IT equipment and the reclassification of those items to non-current assets held for sale. As a result, property, plant and equipment fell from €8,754 million to €7,583 million. Intangible assets declined by €379 million to €13,847 million, mainly because of currency effects recognised directly in equity relating to goodwill. Investment property fell from €187 million to €109 million. We intend to sell some of these assets and have therefore reclassified them to non-current assets held for sale. Deferred tax assets amounted to €1,172 million (previous year: €1,020 million).

The 9.5% rise in current assets to €229,544 million was due primarily to receivables and other securities from financial services. Receivables and other assets increased from €9,806 million to €10,038 million, mainly because of the deferred annual contribution to Bundes-Pensions-Service that had been prepaid. Non-current assets held for sale rose by €526 million to €1,141 million. Two opposing effects came into play here: the reclassification of real estate and IT assets increased the item by €1,119 million, whilst the sale of the credit card and sales financing business of BHW Bank AG in particular had an offsetting effect. Cash and cash equivalents declined by €1,042 million to €3,641 million as at the balance sheet date, mainly because of a fall in Postbank's cash reserve.

Equity attributable to Deutsche Post AG shareholders declined from €11,058 million as at 31 December 2007 to €10,812 million. Amongst other things, currency translation differences recognised directly in equity and adjustments to the revaluation reserve led to a decline in equity of €658 million, whilst the consolidated net profit for the period of €407 million served to strengthen the capital base.

Current and non-current liabilities increased by €18,897 million to €227,894 million as at the balance sheet date, mainly because liabilities from financial services rose by €19,596 million. At €10,276 million, financial liabilities were slightly up (by 0.9%) on the prior-year figure. This was due, amongst other things, to Postbank's subordinated debt. Trade payables were €619 million lower, whilst other current and non-current liabilities dropped from €5,462 million to €5,370 million. Current and non-current provisions declined by €111 million to €12,499 million.

Indicators for the "Postbank at equity" scenario

Although financial liabilities fell slightly at the balance sheet date, the lower holdings of cash and cash equivalents in particular resulted in an increase in net debt from €2,858 million to €2,975 million. Financial liabilities to Williams Lea minority shareholders are not included in calculating this indicator. Net gearing rose to 21.4%. The equity ratio improved slightly to 31.6%.

Selected indicators for net assets (Postbank at equity)

		31 Dec. 2007	31 March 2008
Equity ratio	%	31.4	31.6
Net debt	€m	2,858	2,975
Net gearing	%	20.3	21.4

Employees

The average number of employees (full-time equivalents) increased in the first three months of 2008 by 1.5% compared with the previous year's average to 476,998. The reasons behind this were, amongst other things, the continued expansion of the European air hub at Leipzig/Halle airport as well as operating growth abroad.

Risks

Opportunity and risk management

The company has a Group-wide risk management system in place. The opportunities and risks arising from the business activities are systematically identified, assessed, controlled and monitored according to uniform standards. Information on this early warning system and the significant risks affecting our net assets, financial position and results of operations is contained in the ⓘ 2007 Annual Report beginning on page 85. Further information on the risk position of Postbank can be found in the ⓘ 2007 Annual Report of Deutsche Postbank AG and its current interim report.

ⓘ investors.dpwn.com

ⓘ ir.postbank.com

General business environment and industry-specific risks

The European legislative procedure for the third Postal Directive was concluded by the agreement reached between the Parliament and Council in the first quarter of 2008. The directive has been adopted and entered into force on 27 February 2008. It obliges the EU member states to open up their markets to competition in 2011, whilst granting some states – the nine new members of the EU, Greece and Luxembourg – to defer the liberalisation of their markets until 2013. Until then, the existing limits for the reserved area will apply in Europe, namely letters weighing up to 50g and/or costing up to two and a half times the price of a standard letter. The timetable for ending all the national monopolies in Europe makes dependable planning possible in the future.

Discussions are ongoing regarding the extent to which postal services should be exempt from value-added tax (VAT). A change to the VAT law is being considered in the Federal Republic of Germany. The federal government has not yet adopted a uniform position as to whether and to what extent the exemption from VAT will then be modified.

Conditions determined by the regulator oblige Deutsche Post AG to allow customers and competitors downstream access to its network. Proceedings are still pending before administrative courts against the relevant rulings by the regulatory authority. Depending on the outcome of the proceedings, Deutsche Post AG could be faced with further losses of revenue and earnings. On the issue of downstream access for consolidators in particular, the European Court of Justice ruled conclusively on 6 March 2008 that access has to be granted according to European law. Deutsche Post AG had already been granting access to consolidators since 2005 on the basis of an enforceable order of the *Bundeskartellamt* (German federal antitrust authority). The expiry of the exclusive licence will close the question of access insofar that no further losses of revenue and earnings can arise from this issue.

These are, however, not necessarily the only risks to which the Group is exposed. Risks of which we are currently unaware or which we do not yet consider to be material could also affect our business activities.

Overall assessment of the Group's risk position

In the reporting period, no further significant risks for the Group have arisen apart from those described here and in the 2007 Annual Report. There are currently no identifiable risks which, individually or collectively, cast doubt on the company's ability to continue as a going concern.

Other Information

As a service provider, Deutsche Post World Net does not undertake any research and development activities in the narrower sense and thus does not report significant expenses in this area.


Further Developments

Deutsche Post and Verdi reach wage agreement

On 30 April 2008, Deutsche Post and the services trade union Verdi reached an agreement in their collective-bargaining negotiations for about 130,000 company employees. Both parties agreed on an extended job security pact, a pay increase for workers covered by the collective-bargaining agreement and additional weekly working time. The agreement, which is subject to approval by Verdi's collective-bargaining commission, will run until 30 June 2010.

Annual General Meeting approves dividend

On 6 May 2008 the  Annual General Meeting agreed to the proposal by the Board of Management and the Supervisory Board and resolved to distribute a dividend for financial year 2007 of €0.90 per share, a year-on-year increase of 20%. The total dividend therefore amounts to €1,087 million, equating to a payout ratio of 81.3% of Deutsche Post AG's net profit for the year and 78.3% of the consolidated net profit for the period attributable to Deutsche Post AG shareholders. The dividend was disbursed on 7 May 2008.

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Outlook

Future environment

Economic uncertainty is at an extremely high level. Although the world economy has so far remained solid, global growth is likely to weaken in 2008 due to ongoing tension in the financial markets and the high oil price. The IMF has once again reduced its forecast, this time from 4.1% to 3.7%.

Economic growth in the United States will remain weak during the first half of the year. As opinions vary on whether the country is undergoing a marked slowdown in growth or is already in recession, the current range of GDP forecasts for 2008 is unusually broad. The IMF is now expecting growth of just 0.5% (Postbank Research: 2.2%).

GDP growth in Japan is likely to slow slightly in 2008. Current forecasts for the pace of expansion range between 1.4% (IMF) and 1.8% (PB Research). There are no signs that China's rapid economic growth will slow appreciably.

The upturn in the euro zone should continue at a slower pace. GDP growth forecasts range between 1.4% (IMF) and 2.0% (PB Research). Growth will be driven by domestic demand, whilst exports will likely cease to provide impetus.

The German economy will also continue to expand in 2008 but fail to reach the high level of growth recorded in 2007. GDP growth forecasts range from 1.4% (IMF), to 1.7% (German federal government), to 2.1% (PB Research). Although foreign demand will continue to increase, it will be kept in check by the strong euro. Investment should grow at a slower pace than in 2007. Private consumption, on the other hand, is likely to pick up due to rising employment and income growth.

Business development expectations

There are clearly uncertainties about the outlook for the world economy. However, at this time we see no reason to change our guidance of EBIT before non-recurring effects of around €4.2 billion. We anticipate a pre-tax profit of around €3.2 billion.

The MAIL Division is this year aiming for EBIT of around €1.95 billion and the EXPRESS Division for EBIT of around €500 million, whilst the LOGISTICS Division is set to generate EBIT of around €1.05 billion. FINANCIAL SERVICES is expecting EBIT of about €1.2 billion, whilst a loss of about €550 million is forecast for the Corporate Center/Other unit. Our guidance for 2009 remains unchanged.

Profit forecast before non-recurring effects

€bn	2008	2009
Profit from operating activities (EBIT)		
MAIL	≈ 1.95	1.7 to 1.9
EXPRESS	≈ 0.5	0.75 to 0.95
LOGISTICS	≈ 1.05	1.15 to 1.25
FINANCIAL SERVICES	≈ 1.2	min. 1.3
Corporate Center/Other	−0.55	−0.55
Group	≈ 4.2	≈ 4.7
Earnings before taxes (EBT)	≈ 3.2	≈ 3.8
Earnings per share (€)	1.72 to 1.78	2.05 to 2.15
Based on number of shares (millions)	1,217	1,219

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Opportunities

We describe the Group's economic opportunities in the [2007 Annual Report](#) beginning on page 100. No other significant opportunities were identified in the reporting period.

This interim report contains forward-looking statements that relate to the business, financial performance and results of operations of Deutsche Post AG. Forward-looking statements are not historical facts and may be identified by words such as "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets" and similar expressions. As these statements are based on current plans, estimates and projections, they are subject to risks and uncertainties that could cause actual results to be materially different from the future development, performance or results expressly or implicitly assumed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as at the date of this presentation. Deutsche Post AG does not intend or assume any obligation to update these forward-looking statements to reflect events or circumstances after the date of this interim report.

Consolidated Interim Financial Statements

Income Statement

1 January to 31 March

€m	2007	2008
Revenue and income from banking transactions	15,473	15,748
Other operating income	471	479
Total operating income	15,944	16,227
Materials expense and expenses from banking transactions	-8,693	-9,191
Staff costs	-4,680	-4,583
Depreciation, amortisation and impairment losses	-420	-393
Other operating expenses	-1,153	-1,209
Total operating expenses	-14,946	-15,376
Profit from operating activities (EBIT)	998	851
Net income from associates	0	2
Other financial income	197	474
Other finance costs	-459	-739
Net other finance costs	-262	-265
Net finance costs	-262	-263
Profit before income taxes	736	588
Income tax expense	-147	-108
Consolidated net profit for the period	589	480
attributable to		
Deutsche Post AG shareholders	499	407
Minorities	90	73
	€	€
Basic earnings per share	0.41	0.34
Diluted earnings per share	0.41	0.34

Balance Sheet

as at 31 March 2008

€m	31 Dec. 2007	31 March 2008
ASSETS		
Intangible assets	14,226	13,847
Property, plant and equipment	8,754	7,583
Investment property	187	109
Investments in associates	203	190
Other non-current financial assets	857	791
Non-current financial assets	1,060	981
Other non-current assets	497	498
Deferred tax assets	1,020	1,172
Non-current assets	25,744	24,190
Inventories	248	249
Income tax assets	312	275
Receivables and other assets	9,806	10,038
Receivables and other securities from financial services	193,986	214,110
Financial instruments	72	90
Cash and cash equivalents	4,683	3,641
Non-current assets held for sale	615	1,141
Current assets	209,722	229,544
Total assets	235,466	253,734
EQUITY AND LIABILITIES		
Issued capital	1,207	1,208
Other reserves	875	228
Retained earnings	8,976	9,376
Equity attributable to Deutsche Post AG shareholders	11,058	10,812
Minority interest	2,801	2,529
Equity	13,859	13,341
Provisions for pensions and other employee benefits	5,989	5,952
Deferred tax liabilities	1,569	1,585
Other non-current provisions	3,015	2,987
Non-current provisions	10,573	10,524
Non-current financial liabilities	8,625	8,768
Other non-current liabilities	361	365
Non-current liabilities	8,986	9,133
Non-current provisions and liabilities	19,559	19,657
Income tax provisions	334	322
Other current provisions	1,703	1,653
Current provisions	2,037	1,975
Current financial liabilities	1,556	1,508
Trade payables	5,384	4,765
Liabilities from financial services	187,787	207,383
Income tax liabilities	139	100
Other current liabilities	5,101	5,005
Liabilities associated with non-current assets held for sale	44	0
Current liabilities	200,011	218,761
Current provisions and liabilities	202,048	220,736
Total equity and liabilities	235,466	253,734

Cash Flow Statement

1 January to 31 March

€m	2007 ¹⁾	2008
Net profit before taxes	736	588
Net finance costs	262	263
Profit from operating activities (EBIT)	998	851
Depreciation/amortisation of non-current assets	420	393
Net income from disposal of non-current assets	-76	-55
Non-cash income and expense	118	86
Change in provisions	-44	-222
Change in other assets and liabilities	-45	-2
Taxes paid	-115	-54
Net cash from operating activities before changes in working capital	1,256	997
Changes in working capital		
Inventories	16	-10
Receivables and other assets	-559	-573
Receivables/liabilities from financial services	701	-1,445
Liabilities and other items	-275	-438
Net cash from/used in operating activities	1,139	-1,469
Proceeds from disposal of non-current assets		
Divestitures	50	0
Other non-current assets	118	866
	168	866
Cash paid to acquire non-current assets		
Investments in companies	-154	-93
Other non-current assets	-395	-372
	-549	-465
Interest received	98	128
Current financial instruments	-10	-11
Net cash used in/from investing activities	-293	518
Change in financial liabilities	-160	139
Dividend paid to Deutsche Post AG shareholders	0	0
Dividend paid to other shareholders	-2	-5
Issuance of shares under stock option plan	21	10
Interest paid	-192	-198
Net cash used in financing activities	-333	-54
Net change in cash and cash equivalents	513	-1,005
Effect of changes in exchange rates on cash and cash equivalents	-5	-37
Changes in cash and cash equivalents due to changes in consolidated group	24	0
Cash and cash equivalents at beginning of reporting period	2,391	4,683
Cash and cash equivalents at end of reporting period	2,923	3,641

1) Prior-period amounts restated, see 2007 Annual Report, Note 47.

Statement of Changes in Equity

1 January to 31 March

€m	Other reserves				Retained earnings	Equity attributable to Deutsche Post AG shareholders	Minority interest	Total equity
	Issued capital	Capital reserves	IAS 39 reserves	Currency translation reserve				
Balance at 1 January 2007	1,202	2,037	-58	-451	8,490	11,220	2,732	13,952
Capital transactions with owner								
Capital contribution from retained earnings						0		0
Dividend						0	-2	-2
Stock option plans (exercise)	2	19				21		21
Stock option plans (issuance)		3				3		3
						24	-2	22
Other changes in equity not recognised in income								
Currency translation differences				-55		-55	-4	-59
Other changes			-51		17	-34	-43	-77
						-89	-47	-136
Changes in equity recognised in income								
Consolidated net profit					499	499	90	589
Total changes in equity recognised in income and not recognised in income						410	43	453
Balance at 31 March 2007	1,204	2,059	-109	-506	9,006	11,654	2,773	14,427
Balance at 1 January 2008	1,207	2,119	-347	-897	8,976	11,058	2,801	13,859
Capital transactions with owner								
Capital contribution from retained earnings						0		0
Dividend						0	-5	-5
Stock option plans (exercise)	1	9				10		10
Stock option plans (issuance)		2				2		2
						12	-5	7
Other changes in equity not recognised in income								
Currency translation differences				-322		-322	-22	-344
Other changes			-336		-7	-343	-318	-661
						-665	-340	-1,005
Changes in equity recognised in income								
Consolidated net profit					407	407	73	480
Total changes in equity recognised in income and not recognised in income						-258	-267	-525
Balance at 31 March 2008	1,208	2,130	-683	-1,219	9,376	10,812	2,529	13,341

Segment Reporting

Segments by division

1 January to 31 March	MAIL ¹⁾		EXPRESS ¹⁾		LOGISTICS ¹⁾		FINANCIAL SERVICES ¹⁾		Corporate Center/ Other ¹⁾		Group	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
€m												
External revenue	3,842	3,798	3,221	3,230	6,058	6,081	2,350	2,636	2	3	15,473	15,748
Internal revenue	112	102	112	137	159	154	134	130	-517	-523	0	0
Total revenue	3,954	3,900	3,333	3,367	6,217	6,235	2,484	2,766	-515	-520	15,473	15,748
Profit or loss from operating activities (EBIT)	660	599	31	21	201	173	243	190	-137	-132	998	851
Net income from associates	0	0	0	2	0	0	0	0	0	0	0	2
Segment assets ²⁾	6,018	6,094	9,160	9,014	14,472	13,612	197,448	217,108	480	953	227,578	246,781
Investments in associates ²⁾	22	22	174	161	6	6	0	0	1	1	203	190
Segment liabilities including non-interest-bearing provisions ²⁾	2,563	2,414	3,520	2,632	5,070	4,838	188,681	207,902	-384	491	199,450	218,277
Segment investments	300	38	207	227	132	166	26	17	1	17	666	465
Depreciation, amortisation and write-downs	109	96	108	104	96	95	41	35	66	63	420	393
Other non-cash expenses	39	20	9	34	59	28	133	117	8	40	248	239
Employees ³⁾	158,252	155,957	108,655	112,923	164,239	169,641	23,369	23,068	15,608	15,409	470,123	476,998

Segments by region

1 January to 31 March	Germany		Europe excluding Germany		Americas		Asia Pacific		Other regions		Group	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
€m												
External revenue	6,222	6,529	4,941	4,996	2,724	2,497	1,324	1,423	262	303	15,473	15,748
Segment assets ²⁾	182,722	202,243	28,449	28,575	11,581	11,118	4,309	4,278	517	567	227,578	246,781
Segment investments	116	97	406	199	89	68	31	88	24	13	666	465

1) Prior-period amounts restated, see note 8.

2) As at 31 December 2007 and 31 March 2008.

3) Average FTEs.

Notes to the Consolidated Interim Financial Statements

1 Basis of accounting

The accompanying consolidated interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board (IASB) for interim financial reporting, as adopted by the European Union. These interim financial statements thus include all information and disclosures required by IFRSs to be presented in interim financial statements.

Preparation of the consolidated interim financial statements for interim financial reporting in accordance with IAS 34 requires the Board of Management to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the Group and the presentation of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained thus far in financial year 2008 are not necessarily an indication of the further development of the course of business.

The accounting policies applied to the consolidated interim financial statements are generally based on the same accounting policies used in the consolidated financial statements for financial year 2007. For further information on the accounting policies applied, please refer to the [i](#) consolidated financial statements for the period ended 31 December 2007 on which these interim financial statements are based. This interim report has not been audited.

[i investors.dpwn.com](http://investors.dpwn.com)

2 Consolidated group

In addition to Deutsche Post AG as the Group parent, the consolidated group generally includes all German and foreign entities in which Deutsche Post AG directly or indirectly holds a majority of voting rights, or whose activities it is otherwise able to control.

Consolidated group

	31 Dec. 2007	31 March 2008
Number of fully consolidated companies (subsidiaries)		
German	113	115
Foreign	857	851
Number of proportionately consolidated joint ventures		
German	1	1
Foreign	12	12
Number of companies accounted for at equity (associates)		
German	3	3
Foreign	18	17

On 29 February 2008, Deutsche Post International B.V., the Netherlands, increased its interest in DHL Pakistan Private Limited, Pakistan, by 50.8% to 99.8%. The acquisition costs amounted to €30 million. Goodwill of €35 million arose on full consolidation of the company, which had previously been accounted for using the equity method.

Purchase price allocation for FC (Flying Cargo) International Transportation Ltd., Israel, which was acquired on 31 December 2007 for €74 million, is expected to be presented in the interim financial statements for the period ended 30 June 2008. Goodwill is provisionally estimated to be €73 million. 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 payment and €20 million to the repayment of loans from former shareholders. The total cash outflow of €65 million is shown in the cash flow statement under investments in companies.

3 Share-based remuneration

The number of stock options and stock appreciation rights (SARs) under the 2003 Stock Option Plan changed as follows:

Stock options

Number	SOP 2003		
	Tranche 2003	Tranche 2004	Tranche 2005
Outstanding options at 1 January 2008	1,197,538	3,170,940	8,816,004
Outstanding SARs at 1 January 2008	117,124	267,980	695,076
Options lapsed	0	3,948	87,576
SARs lapsed	0	3,948	0
Options exercised	286,823	358,946	0
SARs exercised	11,900	10,856	0
Outstanding options at 31 March 2008	910,715	2,808,046	8,728,428
Outstanding SARs at 31 March 2008	105,224	253,176	695,076

As at 31 March 2008, provisions for the 2006 SAR Plan and the 2006 Long-Term Incentive Plan (2006 LTIP for the Board of Management) amounted to €44 million (31 December 2007: €41 million). The issued capital increased from €1,207 million to €1,208 million following the servicing of the stock options from the 2003 and 2004 tranches. It is now composed of 1,208,116,367 no-par value registered shares.

4 Earnings per share


Basic earnings per share for the first quarter of 2008 were €0.34.


	Q1	
	2007	2008
Consolidated net profit for the period attributable to Deutsche Post AG shareholders (€m)	499	407
Weighted average number of shares outstanding	1,203,715,207	1,208,045,980
Basic earnings per share (€)	0.41	0.34

Diluted earnings per share for the first quarter were €0.34. There were 12,447,189 stock options for executives at the reporting date, 1,880,545 of which were dilutive.

	Q1	
	2007	2008
Consolidated net profit for the period attributable to Deutsche Post AG shareholders (€m)	499	407
Weighted average number of shares outstanding	1,203,715,207	1,208,045,980
Potentially dilutive shares	4,617,909	1,880,545
Weighted average number of shares for diluted earnings	1,208,333,116	1,209,926,525
Diluted earnings per share (€)	0.41	0.34

5 Related party disclosures

There have been no material changes in related party disclosures as against 31 December 2007; see Note 52 in the  2007 Annual Report.

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6 Contingent liabilities

The Group's contingent liabilities have not changed significantly compared with 31 December 2007. In addition, the Deutsche Postbank Group had irrevocable loan commitments amounting to €23,055 million (31 December 2007: €23,480 million).

7 Other operating income and expenses

Other operating income

€m	Q1	
	2007	2008
Income from currency translation differences	56	96
Gains on disposal of non-current assets	36	43
Insurance income	44	38
Income from the reversal of provisions	12	33
Income from work performed and capitalised	23	23
Income from the derecognition of liabilities	5	23
Rental and lease income	22	20
Income from fees and reimbursements	18	19
Reversals of impairment losses on receivables and other assets	16	16
Income from prior-period billings	11	14
Income from derivatives	7	9
Commission income	5	5
Income from loss compensation	8	5
Subsidies	6	3
Recoveries on receivables previously written off	4	2
Change in inventories	0	2
Net income from investment securities and insurance business (Deutsche Postbank Group)	69	1
Income from the sale of Vfw AG, Germany	59	0
Miscellaneous	70	127
Other operating income	471	479

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

Other operating expenses

€m	Q1	
	2007	2008
Public relations expenses	107	125
Travel and training costs	118	113
Expenses from currency translation differences	55	97
Other business taxes	88	86
Warranty expenses, refunds and compensation payments	80	79
Consulting costs	63	77
Allowance for losses on loans and advances from financial services (Deutsche Postbank Group)	90	75
Cost of purchased cleaning, transportation and security services	73	74
Telecommunication costs	80	73
Office supplies	65	54
Write-downs of current assets	58	49
Entertainment and corporate hospitality expenses	42	40
Insurance costs	46	29
Additions to provisions	46	22
Contributions and fees	13	20
Services provided by the Federal Posts and Telecommunications Agency	19	18
Expenses from derivatives	2	17
Legal costs	14	16
Donations	12	16
Prior-period other operating expenses	14	15
Commissions paid	14	13
Audit costs	9	10
Monetary transaction costs	8	9
Miscellaneous	37	82
Other operating expenses	1,153	1,209

Miscellaneous other operating expenses include a number of smaller individual items.

8 Segment reporting disclosures

As announced in November 2007 as part of the Roadmap to Value capital markets programme, segment reporting was restructured with effect from 1 January 2008. The costs of Global Business Services are allocated in full to the operating divisions. Deutsche Post AG's retail outlets were transferred to the MAIL segment. As the services area does not retain any significant opportunities and risks, it is 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.

9 Non-current assets held for sale and liabilities associated with non-current assets held for sale

The amounts reported under non-current assets held for sale and liabilities associated with non-current assets held for sale relate to the following items:

€m	Assets		Liabilities	
	31 Dec. 2007	31 March 2008	31 Dec. 2007	31 March 2008
Deutsche Post AG – real estate	18	1,011	0	0
DHL Information Services (Europe) s.r.o., Czech Republic – IT equipment	0	76	0	0
DHL Information Services (Americas), Inc., USA – IT equipment	0	45	0	0
DHL Express (France) SAS – land/buildings	26	4	0	0
Asia-Pacific Information Services Sdn Bhd; Malaysia	0	4	0	0
Deutsche Post IT Services GmbH, Germany – IT equipment	0	1	0	0
Deutsche Postbank Group – credit card and sales financing business (BHW Bank AG)	565	0	44	0
Other	6	0	0	0
Non-current assets held for sale and liabilities associated with non-current assets held for sale	615	1,141	44	0

Around €993 million relates to the sale of Deutsche Post AG real estate to US investor Lone Star, as announced in November 2007. The portfolio comprises around 1,300 properties located mainly in Germany. The purchase price will be paid in several tranches, with the largest share expected to be paid by the end of 2008. Under the terms of the agreement, the contract will take economic effect on 1 July 2008. Deutsche Post World Net will lease back the majority of the properties.

In January 2008, Deutsche Post World Net and Hewlett-Packard Services (HP) signed a letter of intent to transfer responsibility for some of Deutsche Post World Net's global IT operations to HP Services. More specifically, this covers IT operations in Prague (Czech Republic), Scottsdale (Arizona, USA), Cyberjaya (Malaysia) and a number of European countries. As at 31 March 2008, IT equipment amounting to €126 million was reported as non-current assets held for sale.

The Deutsche Postbank Group's planned sale of the credit card and sales financing business of BHW Bank AG to Landesbank Berlin, which had been reported under non-current assets held for sale and liabilities associated with non-current assets held for sale as at 31 December 2007, was completed in the first quarter of 2008.

10 Other disclosures/Events after the balance sheet date

In April 2008, DHL Exel Supply Chain Hong Kong acquired from Sinotrans Air Transportation Development the remaining 50% of the shares in their joint venture, Exel-Sinotrans Freight Forwarding.

Deutsche Post Beteiligungen Holding GmbH (DPB), Germany, was able to increase its stake in Williams Lea Holdings PLC, UK, from 66% to 96%. Williams Lea's minority shareholders had until 18 April 2008 to accept an unconditional cash offer giving them the option to sell the outstanding shares to DPB.

11 Additional information: Consolidated interim financial statements including the Deutsche Postbank Group at equity

In addition to the consolidated interim financial statements in which the Deutsche Postbank Group is fully consolidated, consolidated interim financial statements have been prepared with the Deutsche Postbank Group included at equity, as the activities of the Deutsche Postbank Group differ substantially from the ordinary activities of the other companies in Deutsche Post World Net. The Deutsche Postbank Group was excluded from full consolidation in the accompanying consolidated interim financial statements for the period ended 31 March 2008. The Deutsche Postbank Group is accounted for in these financial statements only as a financial investment carried at equity.

The accounting treatment in these additional financial statements differs from the standards required by the IFRSs to the extent that the Deutsche Postbank Group was not fully consolidated, as required by IAS 27, but was accounted for at equity.

11.1 Additional information: Income statement (Postbank at equity)

1 January to 31 March

€m	2007	2008
Revenue	13,221	13,209
Other operating income	421	481
Total operating income	13,642	13,690
Materials expense	-7,237	-7,436
Staff costs	-4,336	-4,259
Depreciation, amortisation and impairment losses	-379	-359
Other operating expenses	-932	-964
Total operating expenses	-12,884	-13,018
Profit from operating activities (EBIT)	758	672
Net income from associates	0	2
Net income from measurement of Deutsche Postbank Group at equity	72	58
Other financial income	197	474
Other finance costs	-441	-726
Net other finance costs	-244	-252
Net finance costs	-172	-192
Profit before income taxes	586	480
Income tax expense	-69	-58
Consolidated net profit for the period	517	422
attributable to		
Deutsche Post AG shareholders	499	407
Minorities	18	15

11.2 Additional information: Balance sheet (Postbank at equity)

as at 31 March 2008

€m	31 Dec. 2007	31 March 2008
ASSETS		
Intangible assets	12,792	12,416
Property, plant and equipment	7,826	6,669
Investment property	115	36
Investments in associates	203	190
Investments in Deutsche Postbank Group	1,662	1,392
Other non-current financial assets	754	691
Non-current financial assets	2,619	2,273
Other non-current assets	497	498
Deferred tax assets	537	488
Non-current assets	24,386	22,380
Inventories	248	249
Income tax assets	195	175
Receivables and other assets	9,377	9,424
Financial instruments	74	92
Cash and cash equivalents	1,339	1,237
Non-current assets held for sale	50	1,141
Current assets	11,283	12,318
Total assets	35,669	34,698
EQUITY AND LIABILITIES		
Issued capital	1,207	1,208
Other reserves	875	228
Retained earnings	8,976	9,376
Equity attributable to Deutsche Post AG shareholders	11,058	10,812
Minority interest	146	142
Equity	11,204	10,954
Provisions for pensions and other employee benefits	4,846	4,802
Deferred tax liabilities	467	421
Other non-current provisions	2,073	2,043
Non-current provisions	7,386	7,266
Non-current financial liabilities	3,822	3,658
Other non-current liabilities	365	369
Non-current liabilities	4,187	4,027
Non-current provisions and liabilities	11,573	11,293
Income tax provisions	213	206
Other current provisions	1,680	1,634
Current provisions	1,893	1,840
Current financial liabilities	1,156	1,297
Trade payables	5,211	4,658
Income tax liabilities	139	100
Other current liabilities	4,493	4,556
Liabilities associated with non-current assets held for sale	0	0
Current liabilities	10,999	10,611
Current provisions and liabilities	12,892	12,451
Total equity and liabilities	35,669	34,698

11.3 Additional information: Cash flow statement (Postbank at equity)

1 January to 31 March

€m	2007 ¹⁾	2008
Net profit before taxes	586	480
Net finance costs excluding net income from measurement at equity	244	250
Net income from measurement at equity	-72	-58
Profit from operating activities (EBIT)	758	672
Depreciation/amortisation of non-current assets	379	359
Net income from disposal of non-current assets	-76	-26
Non-cash income and expense	28	14
Change in provisions	-121	-209
Change in other assets and liabilities	-45	-2
Taxes paid	-82	-52
Net cash from operating activities before changes in working capital	841	756
Changes in working capital		
Inventories	16	-10
Receivables and other assets	-490	-389
Liabilities and other items	-117	-216
Net cash from operating activities	250	141
Proceeds from disposal of non-current assets		
Divestitures	50	0
Other non-current assets	118	308
	168	308
Cash paid to acquire non-current assets		
Investments in companies	-149	-93
Other non-current assets	-377	-356
	-526	-449
Interest received	98	128
Postbank dividend	0	0
Current financial instruments	-55	-11
Net cash used in investing activities	-315	-24
Change in financial liabilities	-231	21
Dividend paid to Deutsche Post AG shareholders	0	0
Dividend paid to other shareholders	-2	-5
Issuance of shares under stock option plan	21	10
Interest paid	-197	-208
Net cash used in financing activities	-409	-182
Net change in cash and cash equivalents	-474	-65
Effect of changes in exchange rates on cash and cash equivalents	-5	-37
Changes in cash and cash equivalents due to changes in consolidated group	24	0
Cash and cash equivalents at beginning of reporting period	1,761	1,339
Cash and cash equivalents at end of reporting period	1,306	1,237

1) Prior-period amounts restated in accordance with the consolidated financial statements.

Events and Contacts

Financial calendar¹⁾

31 July 2008	Interim report on the first half of 2008, financials press conference and investors conference
11 November 2008	Interim report on the first nine months of 2008, investors conference call

1) For more information on other events, updates and details of live webcasts, please visit investors.dpwn.com

Investor events

4 – 5 June 2008	Deutsche Bank German Corporate Conference (Frankfurt)
23 – 24 June 2008	Goldman Business Services Conference (London)
10 – 11 September 2008	UBS Best of Germany Conference (New York)



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