

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

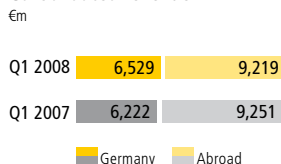
Material changes in reporting and portfolio

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

| | |
|---------|------|
| Q1 2008 | 27.9 |
| Q1 2007 | 25.6 |

Shipments per day
thousands

| | |
|---------|-----|
| Q1 2008 | 523 |
| Q1 2007 | 510 |

Time Definite Domestic

Revenue per day¹⁾
€m

| | |
|---------|------|
| Q1 2008 | 10.3 |
| Q1 2007 | 10.2 |

Shipments per day
thousands

| | |
|---------|-------|
| Q1 2008 | 1,350 |
| Q1 2007 | 1,341 |

Day Definite Domestic

Revenue per day¹⁾
€m

| | |
|---------|------|
| Q1 2008 | 10.6 |
| Q1 2007 | 10.1 |

Shipments per day
thousands

| | |
|---------|-------|
| Q1 2008 | 1,378 |
| Q1 2007 | 1,284 |

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.

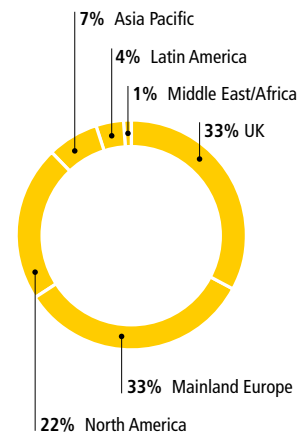
DHL Exel Supply Chain's revenues decreased by 4.2% to €3,054 million (previous year: €3,188 million) due to heavy negative currency impacts of around €250 million. Organically, revenue grew by 3.7% due to higher growth in all regions, primarily in the UK, in North America and in Eastern Europe. In the 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%.

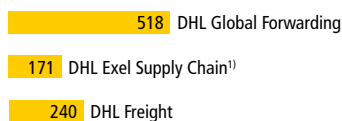
Operating cash flow in the first quarter was €225 million.

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



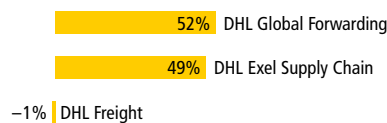
Gross profit by business unit

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  interim report published on 8 May 2008.


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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  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.

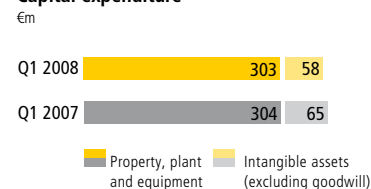
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Our credit quality continues to be highly rated. As a result, the current crisis in the financial markets is not adversely affecting our liquidity position or refinancing options, as the launch of the commercial paper programme at the start of the 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.

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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.

 investors.dpwn.com

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.