Interim Report by the Board of Management

Business and Environment

Economic environment

The world economy continued to expand in the first half of 2008, although growth rates varied considerably from region to region. Whilst the upturn in the emerging economies of Asia remained strong, the US economy continued to show marked weakness.

In the United States, the housing market crisis, weak financial markets and high oil prices have put the brakes on growth, with GDP barely surpassing stagnation levels. The weak economy and continuing risk to 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%.

In Asia, the upsurge continued more or less undiminished, with growth even accelerating in Japan. In China, economic momentum slowed somewhat compared with the previous year. However, GDP growth remained quite high at 10.4%.

In the euro zone, the weakening economic trend was increasingly evident in the second quarter. Nevertheless, the European Central Bank raised its key rate by 0.25 percentage points to 4.25% at the start of the second half of the year in an attempt to counter inflation.

After a good first quarter, signs of economic fatigue also began to appear in Germany. New orders and industrial production let up and company sentiment softened.

Organisational changes

After having split responsibility for the logistics business between two board departments in the first quarter, the new structure was implemented into our segment reporting. The LOGISTICS Division was dissolved and replaced by the new GLOBAL FORWARDING/FREIGHT (hereinafter FORWARDING/FREIGHT) and SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS (hereinafter SUPPLY CHAIN/CIS) divisions.

Revenue and Earnings Development

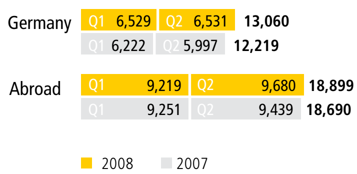
Material changes in reporting and portfolio

With effect from the first quarter of 2008, we 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. In addition, we have split up the LOGISTICS Division. The DHL Global Forwarding and DHL Freight business units have been combined in the new FORWARDING/FREIGHT Division with a view to pooling our transport service capabilities. As the DHL Exel Supply Chain and Corporate Information Solutions business units both offer customised logistics solutions, we have removed the latter from the MAIL Division and now report these two business units as a separate SUPPLY CHAIN/CIS Division. Details can be found in the notes on the segment reporting.

Note 9

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. In April 2008, we acquired the remaining 50% of the shares in the joint venture Exel-Sinotrans Freight Forwarding Co., Ltd. The company was renamed DHL Logistics (China) Co., Ltd. and fully consolidated.

Consolidated revenue
€m



Consolidated revenue

Consolidated revenue and income from banking transactions rose by 3.4% compared with the first half of 2007 to €31,959 million (previous year: €30,909 million). Negative currency effects reduced revenue by €1,440 million. As a result of exchange rate movements, the proportion of revenue generated outside Germany also fell, from 60.5% to 59.1%.

Income and expenses

In both the current and the previous year, one-time factors impacted on the Group's earnings. In the first half of 2007, we generated non-recurring income of €59 million from the sale of Vfw AG. In contrast, the figure for that period was depressed by one-time expenses of €48 million incurred at Postbank for the integration of BHW and for efficiency improvement programmes, amongst other things. In the period under review, Postbank incurred one-time expenses of €120 million in connection with the subprime crisis and €197 million as a result of write-downs on embedded derivatives. In addition, one-time expenses of €47 million have already been incurred in connection with the announced restructuring of DHL Express in the USA.

Including the one-time factor mentioned, other operating income rose by €76 million to €957 million, partly as a result of higher income from currency translation differences. Expenses from currency translation differences came to a similar amount; they are reflected in other operating expenses. Income from the reversal of provisions also increased other operating income.

Note 8

Materials expense and expenses from banking transactions increased from €17,534 million to €18,876 million. The increase in materials expense from €14,445 million to €15,100 million primarily reflects the rise in global oil prices. In line with income from banking transactions, expenses from banking transactions rose from €3,089 million to €3,776 million. Staff costs declined slightly, by 1.9% to €9,221 million, due primarily to currency effects. At €792 million, depreciation, amortisation and impairment losses were also down on the prior-year figure (€855 million). 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 half of 2008.

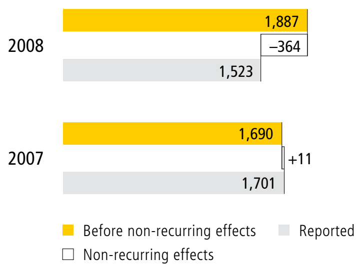
Other operating expenses rose by €199 million to €2,504 million. In addition to expenses from currency translation differences, the increase is also attributable to a number of smaller items.

Note 8

Earnings

Profit from operating activities (EBIT) amounted to €1,523 million, €178 million or 10.5% less than in the first half of 2007. The prior-year figure included the non-recurring income from the sale of Vfw AG (€59 million) and Postbank's one-time expenses (€48 million); the figure for the reporting period included the restructuring costs for the US express business (€47 million) and Postbank's one-time expenses (€317 million) as described. Adjusted for these items, EBIT advanced by 11.7% to €1,887 million (previous year: €1,690 million) in the first half of the year and by even 18.6% in the second quarter.

Consolidated EBIT H1
€m



At €534 million, net finance costs were 7.2% up on the prior-year figure (€498 million), mainly because of the general rise in interest rates.

Profit before income taxes declined year-on-year from €1,203 million to €989 million. Income tax expense fell by €60 million to €183 million, partly due to the positive impact of the business taxation reform in Germany. This reduced the Group tax rate from 20.2% to 18.5%.

Consolidated net profit for the period declined by 16.0% to €806 million (previous year: €960 million). Of this amount, €661 million is attributable to Deutsche Post shareholders and €145 million to minorities. Basic and diluted earnings per share fell from €0.65 to €0.55.

Divisions

Overview

EBIT and revenue

€m	H1			Q2		
	2007 restated	2008	+/– %	2007 restated	2008	+/– %
MAIL						
Profit from operating activities (EBIT)	958	910	–5.0	315	321	1.9
Revenue	7,052	7,051	0.0	3,366	3,421	1.6
of which Mail Communication	3,038	3,000	–1.3	1,432	1,456	1.7
Dialogue Marketing	1,403	1,377	–1.9	659	653	–0.9
Press Services	412	415	0.7	202	212	5.0
Parcel Germany	1,214	1,228	1.2	586	592	1.0
Retail Outlets	418	393	–6.0	207	193	–6.8
Global Mail	982	1,022	4.1	479	500	4.4
Consolidation/Other	–415	–384	7.5	–199	–185	7.0
EXPRESS						
Profit from operating activities (EBIT)	96	52	–45.8	65	31	–52.3
Revenue	6,754	6,880	1.9	3,421	3,513	2.7
of which Europe	3,209	3,380	5.3	1,610	1,710	6.2
Americas	2,100	1,908	–9.1	1,053	965	–8.4
Asia Pacific	1,238	1,305	5.4	647	677	4.6
EEMEA (Eastern Europe, Middle East, Africa)	487	554	13.8	255	291	14.1
Consolidation	–280	–267	4.6	–144	–130	9.7
FORWARDING/FREIGHT[1]						
Profit from operating activities (EBIT)	151	194	28.5	80	109	36.3
Revenue	6,246	6,767	8.3	3,158	3,517	11.4
of which DHL Global Forwarding	4,468	4,941	10.6	2,274	2,585	13.7
DHL Freight	1,822	1,885	3.5	905	960	6.1
Consolidation/Other	–44	–59	–34.1	–21	–28	–33.3
SUPPLY CHAIN/CIS[1]						
Profit from operating activities (EBIT)	274	224	–18.2	127	126	–0.8
Revenue	6,997	6,702	–4.2	3,511	3,355	–4.4
of which DHL Exel Supply Chain	6,412	6,096	–4.9	3,224	3,042	–5.6
Corporate Information Solutions[2]	590	600	1.7	292	304	4.1
Consolidation/Other	–5	6	—	–5	9	—
FINANCIAL SERVICES						
Profit from operating activities (EBIT)	493	375	–23.9	250	185	–26.0
Revenue	5,085	5,762	13.3	2,601	2,996	15.2
Corporate Center/Other						
Loss from operating activities (EBIT)	–271	–232	14.4	–134	–100	25.4
Revenue	–1,225	–1,203	1.8	–621	–591	4.8
Group						
Profit from operating activities (EBIT)	1,701	1,523	–10.5	703	672	–4.4
Revenue	30,909	31,959	3.4	15,436	16,211	5.0

1) The LOGISTICS Division was split into the new GLOBAL FORWARDING/FREIGHT and SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS divisions. The prior-year figures were restated accordingly.
2) The Corporate Information Solutions Business Unit was previously reported on in the MAIL Division.

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. Our segment reporting reflects the change in responsibility for the Corporate Information Solutions Business Unit (Williams Lea), which is now reported on as part of the new SUPPLY CHAIN/CIS Division.

In the second quarter of 2008, revenue rose by 1.6% year-on-year, thus, at €7,051 million, reaching the high level of the previous year for the full reporting period. Negative currency effects arose in the amount of €55 million.

The German letter mail market was fully liberalised at the start of the year. Revenue in the Mail Communication Business Unit declined from €3,038 million to €3,000 million. The increasing use of electronic means of communication is resulting in ongoing shrinkage of the market. Although competition is becoming more intense, we have secured market share with competitive products and services and gained back lost customers. The decline in volumes in the first quarter was offset by volume growth in the second. This should be viewed in light of the fact that the first quarter was two working days shorter than in 2007, whereas the second quarter was three working days longer. In the regulated mail sector, we kept prices stable although the inflation rate underlying the price-cap procedure increased.

Mail Communication

mail items (millions)	H1			Q2		
	2007	**2008**	**+/– %**	**2007**	**2008**	**+/– %**
Business customer letters	3,432	3,456	0.7	1,594	1,662	4.3
Private customer letters	638	626	–1.9	305	298	–2.3
Total	**4,070**	**4,082**	**0.3**	**1,899**	**1,960**	**3.2**

Performance in the Dialogue Marketing Business Unit is being shaped by the current trend amongst companies in Germany to restrict advertising expenditures. Although the volume of addressed and unaddressed advertising mail rose, half-year revenue in this unit fell year-on-year by 1.9% to €1,377 million (previous year: €1,403 million) due to a change in conditions under which discounts are offered.

Dialogue Marketing

mail items (millions)	H1			Q2		
	2007	**2008**	**+/– %**	**2007**	**2008**	**+/– %**
Addressed advertising mail	3,256	3,278	0.7	1,531	1,586	3.6
Unaddressed advertising mail	2,281	2,401	5.3	1,112	1,153	3.7
Total	**5,537**	**5,679**	**2.6**	**2,643**	**2,739**	**3.6**

Revenue in the Press Services Business Unit increased by 0.7% to €415 million. Although both the number of pages and the weight of newspapers and magazines have decreased because their advertising content is diminishing, the average prices achieved for these items nonetheless increased.

The Parcel Germany Business Unit pushed up its revenue by 1.2% year-on-year, from €1,214 million to €1,228 million. The growing significance of e-commerce is reflected here in the increased sales volumes with our business and private customers. By contrast, traditional mail-order companies are suffering from the economic trend in Germany – their sales volumes are dropping.

Parcel Germany

items (millions)	H1			Q2		
	2007	2008	+/– %	2007	2008	+/– %
Business customer parcels[1]	308	314	1.9	146	151	3.4
Private customer parcels[2]	48	51	6.3	23	24	4.3
Total	**356**	**365**	**2.5**	**169**	**175**	**3.6**

1) Including intra-Group sales.
2) Including imports from other postal companies.

With around 14,000 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. We are continually expanding our network to make access to our services as simple as possible for customers. Revenue generated by the outlets fell from €418 million to €393 million, mainly due to a reduction in internal revenues.

Despite negative currency effects of €55 million, revenue in the Global Mail unit rose by 4.1% to €1,022 million (previous year: €982 million). We made progress in international mail business by way of volume increases in the United States domestic market, amongst other things.

Mail International: volumes

mail items (millions)	H1			Q2		
	2007	2008	+/– %	2007	2008	+/– %
Global Mail	3,658	3,667	0.2	1,884	1,872	–0.6

Profit from operating activities (EBIT) in the first half of 2008 fell by 5.0% year-on-year, from €958 million to €910 million, mainly due to higher costs and the market environment described. Operating cash flow amounted to €600 million; the return on sales was 12.9%.

EXPRESS Division

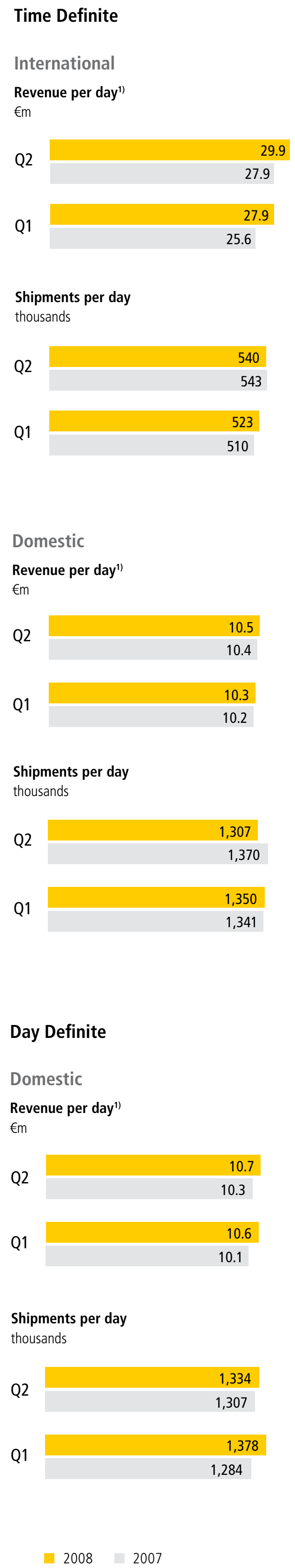
In the first half of 2008, revenue in the EXPRESS Division rose by 1.9% to €6,880 million (previous year: €6,754 million). Since more than half of this was generated in countries outside the euro zone, however, currency effects decreased revenue substantially, by €475 million. Measured in local currencies, we attained organic revenue growth of 7.4%, primarily due to our rapidly expanding international activities. Daily shipment volumes increased by 1.0% in the Time Definite International product line and by 1.3% in the domestic business. We also improved our product yield, above all by passing on higher fuel costs to our customers via a surcharge, which accounted for about half of the organic revenue growth.

In Europe, revenue increased by 5.3% to €3,380 million (previous year: €3,209 million). The total contains negative currency effects in the amount of €64 million, attributable chiefly to our UK business. The underlying organic growth for the region was 4.5%. The new EU member states as well as France, the Benelux countries and the Scandinavian countries continued to develop well in the first half of 2008.

Negative currency effects (€259 million) continued to have an impact on our revenue in the Americas region, which slipped by 9.1%, from €2,100 million in the previous year to €1,908 million. In terms of organic growth, revenue increased by 3.2% in local currency. 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 in the domestic time-definite business were compensated by vigorous growth in our other product lines and in international activities.

In the Asia Pacific and EEMEA (Eastern Europe, Middle East and Africa) regions, revenue increased organically by 12.8% and 25.3% respectively. Once again, we achieved the highest rates in Russia and the Middle East. The Asia Pacific region again experienced strong growth, even though economic momentum slowed somewhat in China. Negative currency effects reduced revenue in these regions by €155 million but were eliminated in the calculation of organic revenue growth.

Profit from operating activities (EBIT) fell by around 46% in the first half of the year, from €96 million in the prior-year period to €52 million. As in the first quarter, this was mainly attributable to the slackening economy, particularly in the US. 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. Moreover, the realignment of the US express business added another €47 million to our costs. In light of the economic environment, the trend in the remaining regions is satisfactory. Return on sales decreased year-on-year by 0.6 percentage points to 0.8% and operating cash flow totalled €79 million.



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

FORWARDING/FREIGHT Division

In March 2008, the LOGISTICS Division was restructured and split between two board departments. The new structure is reflected in the segment reporting. The LOGISTICS Division was dissolved and replaced by the new FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. The prior-year figures were restated accordingly. The business units of the FORWARDING/FREIGHT Division are still called DHL Global Forwarding and DHL Freight.

Overall the growth and performance of our FORWARDING/FREIGHT business developed favourably in the first half of 2008. Revenue grew by 8.3% to €6,767 million (previous year: €6,246 million). This figure includes negative currency effects of more than €300 million. Organically, our revenue grew by 13.3%.

The DHL Global Forwarding business generated revenue of €4,941 million (previous year: €4,468 million) in the first half of the year. Thus, revenue grew by 10.6% year-on-year despite negative currency effects. Organic revenue growth was 17.3%. Gross profit in the business unit totalled €1,065 million. Profit from operating activities (EBIT) improved favourably thanks to reduced overhead costs.

The volume of air freight transported increased by around 6% in the first half of the year. In contrast, the market grew by around 3%. Due to higher fuel surcharges, revenue for the first half of 2008 rose by 9.4% despite negative currency effects and lower freight rates. In the second quarter, the revenue increase expanded to 13.5%. Our business was particularly robust in the Middle East and Africa.

DHL Global Forwarding: revenue by segment

€m	H1			Q2		
	2007	**2008**	**+/– %**	**2007**	**2008**	**+/– %**
Air freight	2,341	2,560	9.4	1,181	1,341	13.5
Ocean freight	1,400	1,594	13.9	715	836	16.9
Other	727	787	8.3	378	408	7.9
Total	**4,468**	**4,941**	**10.6**	**2,274**	**2,585**	**13.7**

DHL Global Forwarding: volumes

thousands		H1			Q2		
		2007	**2008**	**+/– %**	**2007**	**2008**	**+/– %**
Air freight	Tonnage	2,069	2,192	5.9	1,067	1,124	5.3
Ocean freight	TEUs[1]	1,205	1,333	10.6	629	694	10.3

1) Twenty-foot equivalent units.

Ocean freight volumes increased by 10.6% in the first half of 2008. Here also, we outperformed the market, which grew by 7% to 8%. Our revenue growth for the first half of the year amounted to 13.9%, yet in the second quarter, revenue rose by 16.9%. Revenues increased above all in Europe, in the Middle East and in Africa.

In the first half of 2008, the DHL Freight business reported revenue of €1,885 million (previous year: €1,822 million). The business showed organic revenue growth of 4.2% with good performances in the Benelux countries, Eastern Europe and Germany, mainly coming from price increases. Gross profit reached €488 million, surpassing the prior-year figure. EBIT was reduced, partially due to currency effects.

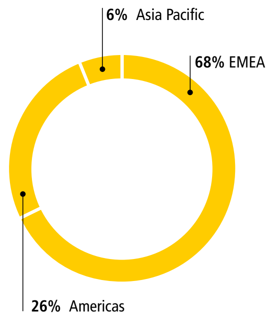
Profit from operating activities (EBIT) of the FORWARDING/FREIGHT Division was €194 million in the period under review (previous year: €151 million). Adjusted for negative currency effects of €15 million, the business performed very well with growth of 38% in EBIT. Return on sales rose from 2.4% to 2.9%.

Operating cash flow in the first half of the year was €295 million.

SUPPLY CHAIN/CIS Division

In March 2008, the LOGISTICS Division was restructured and split between two board departments. The new structure is reflected in the segment reporting. The LOGISTICS Division was dissolved and replaced by the new FORWARDING/FREIGHT Division and the new SUPPLY CHAIN/CIS Division. Previously, the Corporate Information Solutions business was reported as part of the MAIL Division. The prior-year figures were restated accordingly.

Revenue by region H1 2008



On the whole, the division performed well in the first half of 2008. However, negative currency effects of around €600 million decreased revenue by 4.2% to €6,702 million (previous year: €6,997 million). Organically, revenue grew by 4.3% with contributions from all regions.

In the DHL Exel Supply Chain business, we generated new business of around €550 million in annualised revenue. The renewal rate was 90%. The Corporate Information Solutions business posted good organic growth despite the negative impact of the financial market crisis on the document management market.

Profit from operating activities (EBIT) was €224 million in the period under review (previous year: €274 million). The previous year's figure included the sale of Vfw AG, which generated non-recurring income of €59 million. Adjusted for this inorganic effect and negative currency effects of more than €20 million, our EBIT grew by 12%. Return on sales before non-recurring effects rose from 3.1% to 3.3%.

Operating cash flow in the first half of 2008 was €–47 million.

FINANCIAL SERVICES Division

The FINANCIAL SERVICES Division consists primarily of the Deutsche Postbank Group. As one of the largest financial services providers in Germany, the Deutsche Postbank Group serves some 14.2 million customers, has a workforce of around 21,500 and employs more than 4,000 mobile financial advisers. The Postbank Group'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.

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Deutsche Postbank AG presents its business performance for the first half of 2008 in its own interim report published on 30 July 2008.

During the period under review, the division generated revenue of €5,762 million, which exceeded the previous year's figure of €5,085 million by 13.3%. The balance sheet-related revenues of Postbank decreased by 15.1% year-on-year to €1,167 million.

Impacted by the crisis on the financial markets, profit from operating activities (EBIT) dropped by 23.9% in the first half of the year, from €493 million in the first half of 2007 to €375 million. In particular, this decline in profit reflects temporary value fluctuations connected with the financial market crisis, which exerted a negative impact in the reporting period. Excluding the impact of the write-downs, EBIT increased by 28%. Operating business developed well despite a difficult climate in the German retail banking business.

Net Assets and Financial Position

Financial Management

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The principles and aims of financial management presented in the 2007 Annual Report starting on page 38 remain in force and are being pursued unchanged. In the first half of 2008, the euro was again the Group's most important currency in which debt is denominated. Including hedging transactions, it accounted for 43% of net debt, whilst the share of net debt denominated in US dollars was 36%. The other basic financial data outlined in the Annual Report are still valid.

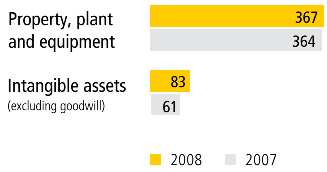
In June 2008, our rating was reviewed by the rating agencies Standard & Poor's, Moody's Investors Service and Fitch Ratings. It was downgraded by Standard & Poor's to BBB+. In July, immediately after the reporting period, Fitch and Moody's revised the outlook to negative and downgraded our rating to A3.

Our credit quality continues to be highly rated, however, as a result of which the current crisis in the financial markets is not affecting our refinancing options or liquidity position. At the reporting date, the Group had unsecured firm credit lines totalling around €4.2 billion, of which around €1.2 billion had been used. Average drawings on these lines stood at around 18.1% in the first half of the year (previous year: 1.3%). In addition, we have a short-term financing facility worth €1 billion in the form of the commercial paper programme launched at the start of the year. This programme was used to raise an average of €20 million to €500 million a month in the first half of the year.

Capital expenditure

The Group's capital expenditure (capex) amounted to €811 million in total in the period to the end of June 2008 (previous year: €794 million). Of this figure, €669 million was attributable to investments in property, plant and equipment and €142 million to intangible assets excluding goodwill. Overall, Group investments rose by 2.1% year-on-year. Investments in property, plant and equipment related mainly to advance payments and assets under development (€252 million), technical equipment and machinery (€117 million), transport equipment (€102 million), IT equipment (€58 million) and other operating and office equipment (€55 million).

Capital expenditure Q2
€m



Capex and depreciation

H1	MAIL		EXPRESS		FORWARDING/ FREIGHT		SUPPLY CHAIN/ CIS		FINANCIAL SERVICES		Corporate Center/ Other[1]		Group	
€m	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Capex	112	82	311	356	34	45	226	191	39	43	72	94	794	811
Depreciation on assets	211	173	215	221	46	47	173	163	79	70	131	118	855	792
Capex versus depreciation ratio	0.53	0.47	1.45	1.61	0.74	0.96	1.31	1.17	0.49	0.61	0.55	0.80	0.93	1.02

Q2	MAIL		EXPRESS		FORWARDING/ FREIGHT		SUPPLY CHAIN/ CIS		FINANCIAL SERVICES		Corporate Center/ Other[1]		Group	
€m	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Capex	73	56	175	206	20	28	114	73	21	26	22	61	425	450
Depreciation on assets	110	86	107	117	22	24	93	82	38	35	65	55	435	399
Capex versus depreciation ratio	0.66	0.65	1.64	1.76	0.91	1.17	1.23	0.89	0.55	0.74	0.34	1.11	0.98	1.13

1) Corporate Center/Other/Consolidation.

In the MAIL Division, capital expenditure totalled €82 million (previous year: €112 million) and centred on the domestic mail, retail outlet and parcel business. Above all, we purchased replacement IT and transport equipment, optimised production processes and installed further Packstations and Paketboxes. In the Global Mail network we further developed a software platform. In the second half of the year, we intend to purchase new sorting machines.

In the EXPRESS Division, capital expenditure increased year-on-year from €311 million to €356 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. In the second quarter, we also completed the new European air hub at Leipzig/Halle airport. In the EEMEA region, the focus remained on the growth markets of Russia and the Middle East. In the International Americas region, investment activities focused on Canada and Mexico.

In the FORWARDING/FREIGHT Division, capital expenditure amounted to €45 million (previous year: €34 million). Of this figure, €23 million was attributable to the DHL Global Forwarding Business Unit, where we continued to improve building facilities and the IT infrastructure. €22 million was invested in the DHL Freight Business Unit, mainly in modernising the vehicle fleet and expanding terminals.

In the SUPPLY CHAIN/CIS Division, capital expenditure declined from €226 million to €191 million, the majority of which was invested in the DHL Exel Supply Chain Business Unit, primarily in customer-specific warehouse solutions, transport equipment and information systems to support the relevant processes. These investments were made mainly in the United Kingdom, the USA and Germany. In Corporate Information Solutions, we primarily upgraded and replaced printing equipment.

Postbank remodelled more branches and optimised the communication technology used for its mobile sales activities. Further investments were made in projects aimed at introducing suitable processes relating to the flat tax on investment income, implementing the requirements of Basel II and further developing a liquidity management system. At €43 million in total, investments in the FINANCIAL SERVICES Division were slightly up on the previous year.

Cross-divisional investments rose from €90 million to €94 million and consisted mainly of vehicle and IT purchases. Deutsche Post Fleet GmbH replaced vehicles that had reached the end of their optimum useful life and purchased additional vehicles.

i investors.dpwn.com

During the first six months of 2008, there were no other material changes in the Group's investment projects presented in the i 2007 Annual Report, starting on page 42.

Cash flow disclosures (Postbank at equity)

Selected cash flow indicators (Postbank at equity)

€m	H1	
	2007	2008
Cash and cash equivalents as at 30 June	1,227	1,120
Change in cash and cash equivalents	–534	–219
Net cash from operating activities	789	623
Net cash used in investing activities	–580	–334
Net cash used in financing activities	–764	–474

Net cash from operating activities (Postbank at equity) declined by €166 million year-on-year to €623 million. In addition to a reduction in EBIT, an increase in the utilisation of provisions in particular had a negative impact. The net outflow of working capital, on the other hand, fell by €94 million.

At €334 million, net cash used in investing activities was significantly down on the prior-year figure (€580 million). In particular, proceeds from the disposal of non-current assets rose sharply. At €377 million, these were above the prior-year figure (€355 million) and stemmed mainly from real estate disposals. Cash was used, amongst other things, to acquire Flying Cargo Ltd. and DHL Pakistan Ltd. and increase our stakes in Exel-Sinotrans Freight Forwarding Ltd. and Williams Lea Ltd. At €782 million, cash payments for other non-current assets were on a par with the previous year.

The changes described in cash and cash equivalents resulted in free cash flow of €289 million (previous year: €209 million).

Net cash used in financing activities amounted to €474 million (previous year: €764 million). At €1,087 million, the dividend paid to our shareholders for financial year 2007 accounted for the largest share. The change in financial liabilities, however, led to a cash inflow of €803 million.

Compared with 1 January 2008, cash and cash equivalents fell by €219 million to €1,120 million. In addition to the changes described in the cash flows from the individual activities, this was due to, amongst other things, currency effects (€–36 million).

Consolidated balance sheet

Total assets amounted to €260,553 million as at 30 June 2008, €25,087 million more than at 31 December 2007. This was due mainly to Postbank's successful operating business, which is reflected in receivables and other securities and liabilities from financial services.

Non-current assets declined by €1,333 million to €24,411 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. In particular, this reduced property, plant and equipment from €8,754 million to €7,645 million. Intangible assets declined by €261 million to €13,965 million, mainly because of currency effects recognised directly in equity relating to goodwill. Investment property fell from €187 million to €101 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 €1,304 million (previous year: €1,020 million).

The 12.6% rise in current assets to €236,142 million was due primarily to receivables and other securities from financial services. These rose, amongst other things, because Postbank acquired private residential mortgages. Receivables and other assets increased from €9,806 million to €10,170 million, partly because of the deferred annual contribution to Bundes-Pensions-Service that had been prepaid. Non-current assets held for sale rose by €515 million to €1,130 million. Two opposing effects came into play here: the reclassification of real estate and IT assets increased the item by

€1,110 million, whilst the sale of the credit card and sales financing business of BHW Bank AG had an offsetting effect. Cash and cash equivalents declined by €2,552 million to €2,131 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 €9,846 million. Amongst other things, the increased dividend payment for financial year 2007 (€1,087 million), currency translation differences recognised directly in equity and adjustments to the revaluation reserve (totalling €808 million) led to a decline in equity, whilst the consolidated net profit for the period of €661 million served to strengthen it.

Note 2

Current and non-current liabilities increased by €27,163 million to €236,160 million as at the balance sheet date, mainly because liabilities from financial services rose by €26,909 million. At €10,644 million, financial liabilities were €463 million up on the figure as at 31 December 2007. Financial liabilities to Williams Lea minority shareholders declined, whilst the subordinated debt of Postbank and short-term loans increased. Trade payables were €412 million lower. Other current and non-current liabilities rose from €5,462 million to €5,725 million, mainly because we received a payment on account for the real estate portfolio we are holding for sale. Current and non-current provisions declined from €12,610 million to €12,310 million, partly because a provision for the funding of future shortfalls in the Postal Civil Service Health Insurance Fund was reversed.

Indicators for the "Postbank at equity" scenario

Higher financial liabilities and lower holdings of cash and cash equivalents resulted in an increase in net debt from €2,858 million to €3,931 million as at the balance sheet date. Financial liabilities to Williams Lea minority shareholders are not included in calculating this indicator. Net gearing rose to 28.3%. The equity ratio declined to 28.7%.

Selected indicators for net assets (Postbank at equity)

		31 Dec. 2007	30 June 2008
Equity ratio	%	31.4	28.7
Net debt	€m	2,858	3,931
Net gearing	%	20.3	28.3

Employees

The average number of employees (full-time equivalents) increased in the first six months of 2008 by 1.5% compared with the previous year's average to 477,394. 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

Our business activities go hand in hand with both opportunities and risks, which we continuously monitor using our Group-wide risk management system. This system helps management to identify and assess developments involving opportunities and risks at an early stage. Information on the early warning system and the significant risks affecting our net assets, financial position and results of operations is contained in the 2007 Annual Report starting on page 85 and in the interim report on the first quarter of 2008 starting on page 19. Further information on the risk position of Postbank can be found in the 2007 Annual Report of Deutsche Postbank AG and in its interim reports.

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General business environment and industry-specific risks

On 1 July 2008, the European Court of First Instance annulled the June 2002 decision of the European Commission ordering Deutsche Post AG to repay purported state aid. Based on the European Commission's decision, Deutsche Post AG had been forced to repay a total of €907 million (€572 in allegedly misused public funds plus interest) to the Federal Republic of Germany in January 2003, even though it had appealed the decision immediately. Following the decision of the European Court, Deutsche Post AG will receive some €1,065 million back from the German government, equalling the amount originally repaid plus interest. The European Commission and its interveners have two months in which to file an appeal with the European Court of Justice.

The 23 July 2008 ruling of the European Commission concluded the formal proceedings opened on 22 November 2006 concerning the possibility of state aid having been misused in connection with construction of the DHL European air hub at Leipzig/Halle airport. In its ruling, the Commission reached the conclusion that the use of public funds of around €350 million for the new southern runway was in compliance with the European law relating to state aid. The Commission also ruled that the financial guarantees endorsed by the state of Saxony for the benefit of DHL were impermissible. The Commission is of the opinion that any unlawfully granted state aid must be repaid by DHL. Deutsche Post AG and DHL will review the decision. DHL's daily operations will not be affected by the invalidity of the guarantees or the possibility of having to make a limited repayment.

Risks arise from the purchase of fuels and fuel oil, most of which are passed on to customers via surcharges and contract clauses. In view of the current trend in the price of oil, however, it cannot be ruled out that our customers will increasingly request more economical ground transport options rather than air freight products, especially in the express business.

In addition, the further development of the slackening US economy can influence the domestic and international transport volume, in particular express shipment volumes.

Business strategy risks

On 28 May 2008, the Board of Management and the Supervisory Board adopted a programme to realign the US express business. The plan focuses on reducing ground infrastructure costs and finding an agreement with UPS on air transport. The restructuring will cost a total of up to US$2 billion. As a result, we expect the financial situation of DHL Express USA to see a lasting improvement starting in 2010. The goal is to achieve cost savings of around US$1 billion annually. However a final decision on the outcome of the current negotiations is expected in the near future.

The risks specified here are 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

We are not aware of any significant risks other than those described in the 2007 Annual Report, the interim report on the first quarter of 2008 and this section detailing risks. We do not believe that the existing risks, either individually or collectively, represent a threat to the company's ability to continue as a going concern.

Research and Development

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

European court awards Deutsche Post a repayment of €1 billion

On 1 July 2008 the European Court of First Instance annulled a 2002 decision by the European Commission, which had ordered Deutsche Post to repay €907 million in purported state aid and interest. Deutsche Post will now receive a repayment of around €1 billion.

Deutsche Post to improve efficiency of its IT services

Deutsche Post World Net will not pursue the planned transfer of parts of its global IT activities to HP Services. The two companies had signed a letter of intent for such purpose in January. After careful review of the offer, the Board of Management came to the conclusion that the cost reductions of €1 billion planned to be achieved over the next seven years will be more easily attainable if the units in question remain with the Group.

Outlook

Future environment

We have seen a slowdown in growth rates in the year to date. The banking crisis is proving to be more substantial and persistent than expected, and oil prices have again risen sharply. Despite these considerable risks, the global economy currently shows no signs of pronounced weakness, although uncertainty regarding global growth perspectives remains unusually high as at mid 2008.

Whilst the economy in the United States has not yet overcome its inertia, the aggressive interest rate cuts made by the US Federal Reserve are expected to take effect as the year progresses. The economy should recover slightly as a result. Nonetheless, economists predict that GDP growth is not expected to exceed 1.7% (Postbank Research), which would be the lowest level since 2002.

In Japan, GDP is projected to grow somewhat more slowly than in the previous year at 1.8% (Postbank Research). The Chinese economy is showing only slight signs, if any, of a gradual slowdown in its high level of growth. Economists are forecasting double digit growth rates for GDP again in 2008.

According to experts, in the euro zone the economic upturn is clearly past its peak. Only moderate growth is anticipated for the second half of the year. All in all, GDP growth is expected to be noticeably lower than in the previous year at 1.6% (Postbank Research).

In Germany, GDP growth in 2008 is likely to be only slightly weaker than in the previous year, at around 2.3% (Postbank Research). Exports are again expected to exert a positive influence, given that the German economy is evidently less affected by the high euro rate than other euro zone countries. Suffering from higher prices, above all for energy, private consumption is likely to experience only a moderate revival.

Business development expectations

Based on the half-year result and assuming that the global economy will not significantly worsen, the Group is maintaining its full-year guidance for 2008 and expects EBIT before non-recurring effects of around €4.1 billion. We anticipate a pre-tax profit of around €3.1 billion.

The divisional profit forecast has been adjusted. It now takes into account the new FORWARDING/FREIGHT and SUPPLY CHAIN/CIS divisions and their composition. The forecast also contains minor adjustments regarding future business prospects.

Even without the CIS business the MAIL Division is expected to record EBIT before non-recurring effects of around €1.95 billion. The EXPRESS Division should see around €0.4 billion EBIT before non-recurring effects. FORWARDING/FREIGHT is expected to see around €0.5 billion of EBIT before non-recurring effects; SUPPLY CHAIN/CIS is expected to contribute the same amount. The FINANCIAL SERVICES Division is still expected to record EBIT before non-recurring effects of around €1.2 billion. The result of the Corporate Center/Other unit is now expected to come in at €–0.5 billion. Our guidance for 2009 remains unchanged at EBIT before non-recurring effects of around €4.7 billion.

Profit forecast before non-recurring effects

€bn	2008	2009
Profit from operating activities (EBIT)		
MAIL	≈ 1.95	1.7 to 1.9
EXPRESS	≈ 0.4	0.75 to 0.95
FORWARDING/FREIGHT	≈ 0.5	0.55 to 0.6
SUPPLY CHAIN/CIS	≈ 0.5	0.5 to 0.55
FINANCIAL SERVICES	≈ 1.2	min. 1.3
Corporate Center/Other	≈ –0.5	≈ –0.45
Group	**≈ 4.1**	**≈ 4.7**
Earnings before taxes (EBT)	**≈ 3.1**	**≈ 3.8**
Earnings per share (€)	**1.65 to 1.69**	**2.05 to 2.15**
Based on number of shares (millions)	1,209	1,211

Opportunities

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We describe the Group's economic opportunities in the i 2007 Annual Report starting on page 100.

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.