

Interim Report by the Board of Management

Business and Environment

World economy slows due to financial market crisis

The world economy continued to expand in the first nine months of 2008, though at a slower pace than in the previous year and with large regional variations. Whilst growth in emerging markets remained robust on the whole, the economy in the industrial nations deteriorated notably. The financial market crisis reached its peak in September when Lehman Brothers, a major US investment bank, collapsed. Some other significant financial institutions could only be saved through government intervention or takeover by competitors.

In the United States, the housing market crisis, weak financial markets and high oil prices have put the brakes on growth. In a concerted action with other key central banks, the US Federal Reserve reacted to the increased risk for the economy and the financial markets by lowering its key interest rate by an additional 0.5 percentage points to 1.5% on 8 October 2008. This brings the total cuts in the key interest rate this year to 3.25 percentage points.

In China, growth in the gross domestic product (GDP) declined to 9.0% in the third quarter. Nevertheless, it averaged out at 9.9% in the first nine months of 2008. In Japan, after a good start to the year, the second quarter suffered a strong economic blow. GDP shrank by 0.7% over the preceding quarter and may have recovered slightly in the third quarter, if at all.

In the third quarter, the relevant indicators confirmed that the euro zone economy has continued to soften. The real economies are also in danger of being caught up in the turbulence affecting the financial markets. At the same time, inflation risk has waned as a result of the falling price of oil. In this environment, the European Central Bank saw sufficient leeway to participate in the internationally co-ordinated interest rate reductions. On 8 October 2008, the ECB cut its key interest rate by 0.5 percentage points to 3.75%. This was the first reduction in more than five years.

In Germany, economic indicators also continued to weaken during the course of the year. The Ifo business climate index fell sharply in the third quarter and GDP will barely have surpassed stagnation levels. An even further decline is conceivable, which would mean that Germany entered a recession in the summer months.

Organisation

In the third quarter 2008, we did not make any material changes to the Group's organisation.

Significant Events in the Third Quarter

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. As a result, on 1 August 2008 the German government repaid the sum of €1.067 billion to Deutsche Post AG. Of this figure, €572 million have been reported under the MAIL Division's profit from operating activities and €495 million under the Group's net finance costs/net financial income.

Deutsche Post agrees to sell shares in Postbank to Deutsche Bank

On 12 September 2008, Deutsche Post agreed to sell a minority shareholding of 29.75% in Postbank to Deutsche Bank at a price of €2.79 billion, or €57.25 per share. The transaction is subject to regulatory and antitrust approval as well as that of the German government and is expected to be completed in the first quarter of 2009.

Revenue and Earnings Development

Changes in reporting and portfolio expansion

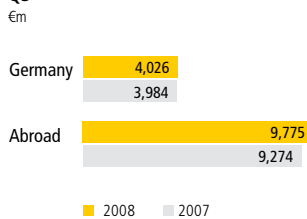
The current reporting format is the one that will apply for Deutsche Post World Net in the future. With effect from the first quarter of 2008, we unbundled the SERVICES Division, allocated the costs of Global Business Services to the operating units and gave the MAIL Division responsibility for the retail outlets. 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 GLOBAL FORWARDING/FREIGHT (hereinafter 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/CORPORATE INFORMATION SOLUTIONS (hereinafter SUPPLY CHAIN/CIS) Division.

In the third quarter, the Pension Service was reallocated from the FINANCIAL SERVICES Division to the mail business, as they share a regulatory environment that is almost the same. The remaining segment consists only of Postbank and is reported under "discontinued operations". 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. 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. Express Couriers Australia Pty Ltd., a joint venture with New Zealand Post, which was founded at the beginning of the year, commenced operations in the third quarter primarily by acquiring business units from New Zealand Post and has been consolidated proportionately (50%).

Consolidated revenue for continuing operations Q3



Note 8

Growth in consolidated revenue

Consolidated revenue from continuing operations grew by 2.3% in the first nine months of 2008 to €40,454 million (previous year: €39,545 million), but was reduced by negative currency effects in the amount of €1,971 million. Nevertheless, the proportion of revenue generated outside Germany increased, from 69.3% to 69.7%.

Increased income and expenses

One-time factors impacted the result from continuing operations in both the reporting period and the prior-year period: the sale of Vfw AG in the previous year led to non-recurring income of €59 million; in the reporting period, the repayment from the state aid proceedings in the amount of €572 million enhanced earnings. In contrast, one-time expenses for the restructuring of DHL Express in the USA depressed earnings by €86 million.

Other operating income increased in the first nine months of 2008 from €1,373 million to €1,979 million. This was due to the above-mentioned one-time factors and the reversal of provisions.

The rise in the global oil price has made transport and aircraft fuel more expensive, which is the primary reason for the increase in our materials expense from €22,135 million to €23,253 million. Staff costs declined slightly, by 1.6% to €12,838 million, due largely to currency effects. At €1,100 million, depreciation, amortisation and impairment losses were also down on the prior-year figure (€1,187 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 reporting period.

Note 8

Other operating expenses rose by €248 million to €3,111 million. This increase is attributable to a large number of smaller items.

Result from continuing operations up substantially

Profit from operating activities (EBIT) from continuing operations increased by €448 million or 26.6% to total €2,131 million. The prior-year figure included the non-recurring income from the sale of Vfw AG (€59 million); the figure for the current reporting period includes the proceeds from the state aid proceedings (€572 million) and the restructuring costs for the US express business (€86 million). Adjusted for these items, EBIT rose by €21 million or 1.3% in the first nine months; however, it declined by €40 million or 8.5% in the third quarter.

At €237 million, net finance costs improved by €474 million (previous year: €711 million). This was due in particular to the interest component of the repayment we received from the state aid proceedings.

Profit before income taxes for the continuing operations almost doubled, improving by 94.9% from €972 million in the previous year to €1,894 million. In line with this, income tax also increased from €143 million to €329 million. The Group tax rate including taxes on discontinued operations amounted to 18.5% (previous year: 14.0%); the prior-year figure was influenced by one-time factors relating to the entry into force of the business tax reform in Germany. The result from continuing operations improved by 88.8% to €1,565 million (previous year: €829 million).

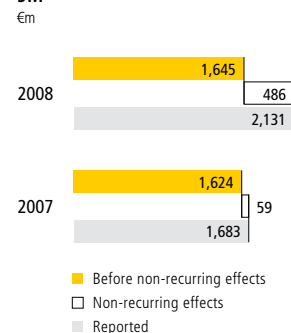
Sharp drop in result from discontinued operations

Discontinued operations generated net loss for the period of €-106 million, down €806 million or 115.1% on the prior-year figure. Including tax expense of €2 million and net finance costs of €50 million, the loss from operating activities (EBIT) from discontinued operations amounted to €54 million. This decline is largely the result of one-time factors from the intensifying international financial market crisis as shown in the ⓘ Notes.

Lower minority interest in consolidated net profit

Consolidated net profit for the period declined by 4.6% to €1,459 million (previous year: €1,529 million). €1,466 million is attributable to Deutsche Post shareholders – an increase of €332 million – whilst minority interests fell by €402 million to €-7 million, due to the proportionate negative result from Postbank. Basic and diluted earnings per share rose from €0.94 to €1.21. Whereas earnings per share for the continuing operations rose from €0.65 to €1.25, they fell from €0.29 to €-0.04 for the discontinued operations.

Consolidated EBIT for continuing operations 9M



ⓘ Note 10

Divisions

Overview

EBIT and revenue

€m	9M			Q3		
	2007 restated	2008	+/- %	2007 restated	2008	+/- %
MAIL						
Profit from operating activities (EBIT)	1,270	1,762	38.7	305	844	176.7
Revenue	10,494	10,498	0.0	3,406	3,409	0.1
of which Mail Communication	4,476	4,431	-1.0	1,438	1,431	-0.5
Dialogue Marketing	2,090	2,075	-0.7	687	698	1.6
Press Services	606	612	1.0	194	197	1.5
Parcel Germany	1,810	1,820	0.6	596	592	-0.7
Retail Outlets	623	586	-5.9	205	193	-5.9
Global Mail	1,449	1,487	2.6	467	465	-0.4
Pension Service	66	68	3.0	28	28	0.0
Consolidation/Other	-626	-581	7.2	-209	-195	6.7
EXPRESS						
Profit/loss from operating activities (EBIT)	165	50	-69.7	69	-2	-102.9
Revenue	10,117	10,355	2.4	3,363	3,475	3.3
of which Europe	4,765	4,998	4.9	1,556	1,618	4.0
Americas	3,129	2,847	-9.0	1,029	939	-8.7
Asia Pacific	1,895	2,023	6.8	657	718	9.3
EEMEA (Eastern Europe, Middle East, Africa)	745	866	16.2	258	312	20.9
Consolidation/Other	-417	-379	9.1	-137	-112	18.2
FORWARDING/FREIGHT¹⁾						
Profit from operating activities (EBIT)	253	310	22.5	102	116	13.7
Revenue	9,519	10,568	11.0	3,273	3,801	16.1
of which DHL Global Forwarding	6,888	7,841	13.8	2,420	2,900	19.8
DHL Freight	2,699	2,811	4.1	877	926	5.6
Consolidation/Other	-68	-84	-23.5	-24	-25	-4.2
SUPPLY CHAIN/CIS¹⁾						
Profit from operating activities (EBIT)	387	337	-12.9	113	113	0.0
Revenue	10,614	10,183	-4.1	3,617	3,481	-3.8
of which DHL Exel Supply Chain	9,717	9,260	-4.7	3,305	3,164	-4.3
Corporate Information Solutions ²⁾	902	911	1.0	312	311	-0.3
Consolidation/Other	-5	12	—	—	6	—
Corporate Center/Other						
Loss from operating activities (EBIT)	-392	-328	16.3	-120	-109	9.2
Revenue	-1,199	-1,150	4.1	-401	-365	9.0
Continuing operations						
Profit from operating activities (EBIT)	1,683	2,131	26.6	469	962	105.1
Revenue	39,545	40,454	2.3	13,258	13,801	4.1
Discontinued operations³⁾						
Profit/loss from operating activities (EBIT)	859	-54	-106.3	372	-420	-212.9
Revenue	7,670	8,560	11.6	2,622	2,838	8.2

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 in the MAIL Division.

3) The Pension Service was assigned to the mail business. The remaining segment consists only of Postbank, see Note 9.

MAIL Division

Since the start of the year, we have been reporting on the Deutsche Post retail outlets as part of 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. The Corporate Information Solutions Business Unit (Williams Lea) is now reported on as part of the new SUPPLY CHAIN/CIS Division. The Pension Service has been transferred from the FINANCIAL SERVICES Division to the mail business as they share a regulatory environment that is almost the same.

Revenue was maintained at the high level of the previous year in the third quarter (€3,409 million) as well as in the full reporting period (€10,498 million). Negative currency effects arose in the amount of €14 million in the third quarter and €69 million in the first nine months.

The German letter mail market was fully liberalised at the start of 2008. Revenue in the Mail Communication Business Unit declined from €4,476 million to €4,431 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 regained lost customers. Sales volumes increased in a year-on-year comparison since the third quarter had one additional working day. In the regulated mail sector, we kept prices stable although the inflation rate underlying the price-cap procedure increased.

Mail Communication

mail items (millions)	9M			Q3		
	2007	2008	+/- %	2007	2008	+/- %
Business customer letters	5,035	5,089	1.1	1,603	1,633	1.9
Private customer letters	946	928	-1.9	308	302	-1.9
Total	5,981	6,017	0.6	1,911	1,935	1.3

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, revenue for the first nine months of 2008 narrowly reached the high level of the previous year due to changed discount conditions. It dropped slightly from €2,090 million to €2,075 million year-on-year.

Dialogue Marketing

mail items (millions)	9M			Q3		
	2007	2008	+/- %	2007	2008	+/- %
Addressed advertising mail	4,834	4,965	2.7	1,578	1,687	6.9
Unaddressed advertising mail	3,287	3,597	9.4	1,006	1,196	18.9
Total	8,121	8,562	5.4	2,584	2,883	11.6

Revenue in the Press Services Business Unit increased by 1.0% over the prior-year period, from €606 million to €612 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 0.6% year-on-year, from €1,810 million to €1,820 million. Revenue for the third quarter declined slightly. The growing significance of e-commerce is reflected in the increased sales volumes with our business and private customers. However, traditional mail-order companies are suffering from the economic trend in Germany – their sales volumes are dropping. Volumes remained at the prior-year level in the third quarter.

Parcel Germany

items (millions)	9M			Q3		
	2007	2008	+/- %	2007	2008	+/- %
Business customer parcels ¹⁾	467	472	1.1	159	158	-0.6
Private customer parcels ²⁾	72	75	4.2	23	24	4.3
Total	539	547	1.5	182	182	0.0

1) Including intra-Group sales.

2) Including imports from other postal companies.

At around 14,000, we have one of the densest networks of fixed-location retail outlets in Germany, where our customers are able to 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 €623 million to €586 million, mainly due to a reduction in internal revenues.

Despite negative currency effects of €69 million, revenue in the Global Mail unit rose by 2.6% in the first nine months of 2008 to €1,487 million (previous year: €1,449 million). However, third-quarter revenue stagnated year-on-year. 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)	9M			Q3		
	2007	2008	+/- %	2007	2008	+/- %
Global Mail	5,336	5,428	1.7	1,678	1,761	4.9

Profit from operating activities (EBIT) increased substantially over the prior-year figures, rising to €844 million in the third quarter and to €1,762 million in the first nine months compared with €305 million in the third quarter of 2007 and €1,270 million in the first nine months of 2007. The increase was mainly due to the earnings contribution of €572 million from the repayment awarded in European Union (EU) state aid proceedings. Without the repayment, EBIT would have fallen in the period under review by 6.3% year-on-year due to the negative impact of increased costs and the aforementioned market environment. Operating cash flow amounted to €1,560 million (previous year: €1,091 million); the return on sales was 16.8%.

EXPRESS Division

In the first nine months, revenue in the EXPRESS Division rose by 2.4% to €10,355 million (previous year: €10,117 million). Since more than half of this was generated in countries outside the euro zone, however, currency effects decreased revenue by €626 million. Measured in local currencies, we attained revenue growth of 6.9%, primarily due to price increases resulting from higher fuel prices. In a tough economic environment, we succeeded in maintaining daily shipment volumes in the Time Definite International product line at the previous year's level. The Time Definite Domestic product line again performed well in our other regions outside the US. However, this could not completely make up for the downward trend of our activities in the US market.

In Europe, revenue increased by 4.9% to €4,998 million (previous year: €4,765 million). The total contains negative currency effects in the amount of €96 million, attributable chiefly to our UK business. The underlying organic growth for the region was 4.1%. The new EU member states as well as France, the Benelux countries, the United Kingdom, Ireland and the Scandinavian countries experienced good organic growth in the first nine months of 2008.

Negative currency effects (€321 million) continued to have an impact on our revenue in the Americas region, which slipped by 9.0%, from €3,129 million in the previous year to €2,847 million. Revenue increased by 1.2% in local currencies. Business in Latin America once again was encouraging. In the United States, revenue declined in organic terms in a year-on-year comparison. The decrease was primarily attributable to lower shipment volumes in the Time Definite Domestic product line. The good performance of our other major US products could not fully offset this negative trend.

In the Asia Pacific and EEMEA (Eastern Europe, Middle East and Africa) regions, revenue increased organically by 12.4% and 25.4% respectively. Once again, we achieved the highest growth rates in Russia and the Middle East. The Asia Pacific region also experienced renewed strong growth. Negative currency effects reduced revenue in these regions by €212 million but were eliminated in the calculation of organic revenue growth.

Profit from operating activities (EBIT) fell by €115 million in the first nine months, from €165 million in the prior-year period to €50 million. Third-quarter EBIT dropped from €69 million to €-2 million. As in the first two quarters, this decline reflected the sharp downturn in economic growth in the US. The slowdown in the US fuelled the shift from high-margin domestic time-definite to day-definite business, which prompted higher losses in the Americas region. Moreover, the realignment of the US express business added €86 million to our costs. The trend in the other regions is

Time Definite Q3

International

Revenue per day
€m



Shipments per day
thousands



Domestic

Revenue per day
€m



Shipments per day
thousands



Day Definite Q3

Domestic

Revenue per day
€m



Shipments per day
thousands



■ 2008 ■ 2007

satisfactory even though we are feeling the effects of the softer economy. Impacted by the sharp decline in earnings in the United States, return on sales decreased year-on-year by 1.1 percentage points to 0.5%. Operating cash flow decreased to €155 million in the first nine months (previous year: €612 million).

FORWARDING/FREIGHT Division

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

All in all, our business saw encouraging growth in the first nine months of 2008. Revenue increased by 11.0% during this period to €10,568 million (previous year: €9,519 million). This figure includes negative currency effects of more than €400 million and acquisitions in the DHL Global Forwarding Business Unit. The business achieved organic revenue growth of 14.0%.

The DHL Global Forwarding business generated revenue of €7,841 million (previous year: €6,888 million). Thus revenues grew by 13.8% year-on-year despite negative currency effects. Organic revenue growth was 17.7%. Gross profit in the business unit totalled €1,637 million. Despite the decline in gross margins, profit from operating activities (EBIT) improved favourably thanks to our ongoing optimisation of operating costs.

The volume of air freight transported registered a year-on-year increase in the period from January to September, though at a comparatively low rate of 2.4%. This was still better than the overall market, which stagnated at the previous year's level due to the sharp deceleration of growth in global trade, particularly exports from northern Asia to the US and Europe. As a consequence, freight rates on numerous trade lanes experienced serious declines and capacities were reduced. However, since fuel surcharges increased sharply once again, especially in the third quarter, we nonetheless increased revenue by 14% in the first nine months of 2008. Our business remained robust in the Middle East and Africa in particular.

DHL Global Forwarding: revenue by segment

€m	9M			Q3		
	2007	2008	+/- %	2007	2008	+/- %
Air freight	3,541	4,047	14.3	1,200	1,487	23.9
Ocean freight	2,204	2,494	13.2	804	900	11.9
Other	1,143	1,300	13.7	416	513	23.3
Total	6,888	7,841	13.8	2,420	2,900	19.8

DHL Global Forwarding: volumes

thousands		9M			Q3		
		2007	2008	+/- %	2007	2008	+/- %
Air freight	Tonnage	3,206	3,284	2.4	1,137	1,091	-4.0
Ocean freight	TEUs ¹⁾	1,891	2,128	12.5	686	795	15.9

1) Twenty-foot equivalent units.

DHL Global Forwarding pursues the strategic goal of expanding its position in the ocean freight business. In line with this goal, we succeeded in outperforming the market – which grew between 7% and 8% – with volume growth of 12.5% in the period under review. Revenue rose by 13.2%. We increased revenues and performance in Europe, Latin America and northern Asia in particular.

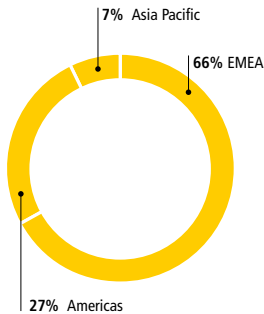
Our industrial projects business, which we have been focussing on for two years, made another substantial contribution to growth, especially in the Middle East, Africa and Asia.

DHL Freight reported revenue of €2,811 million in the first nine months of 2008 (previous year: €2,699 million). The business unit showed organic revenue growth of 4.9% with good performance in the Benelux countries, Eastern Europe, Sweden and Germany. Gross profit reached €721 million, surpassing the prior-year figure. EBIT declined, partially due to currency effects.

Profit from operating activities (EBIT) amounted to €116 million in the third quarter (previous year: €102 million) and to €310 million in the first nine months (previous year: €253 million). Adjusted for negative currency effects of more than €20 million and acquisition effects, the business performed well with growth of 26% in earnings. Thanks to our strict cost management, we held our ground well in a persistently volatile market environment with increasing pressure on margins. Return on sales rose from 2.7% to 2.9%.

Operating cash flow in the period under review was €384 million (previous year: €182 million). Since we are consistently implementing our Roadmap to Value initiative, working capital and the cash conversion rate improved.

Revenue by region
Q3 2008



SUPPLY CHAIN/CIS Division

The LOGISTICS Division was dissolved in March 2008 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.

The SUPPLY CHAIN/CIS Division continued to perform well over the nine month period, despite the difficult economic environment, with substantial new business wins, organic growth in revenue of 4.0% and in EBIT of 10.9%.

Revenue including negative currency effects of around €850 million declined by 4.1% to €10,183 million for the first nine months of 2008 (previous year: €10,614 million).

In the DHL Exel Supply Chain Business Unit, we generated new business of around €1 billion in annualised revenue in the first nine months of 2008. The renewal rate remained constant at 90%.

The Corporate Information Solutions business maintained double-digit organic revenue growth, primarily arising from new business gained in the previous year. This is partially offset by reduced volume levels in our document management and marketing literature businesses relative to the financial services sector, where two large former investment banks were amongst our most important customers.

Profit from operating activities (EBIT) remained stable in the third quarter. For the first nine months, however, EBIT decreased to €337 million (previous year: €387 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 €30 million, EBIT grew by 10.9%. Organic growth from all Supply Chain regions was partly diminished by the adverse impact on the financial services sector business within Corporate Information Solutions. Return on sales amounted to 3.3% (previous year, excluding the sale of Vfw AG: 3.1%).

Operating cash flow in the first nine months was €198 million (previous year: €43 million). Improvements in working capital management and, in particular, a stronger focus on customer payment terms contributed to a significant cash flow improvement.

Discontinued operations

On 12 September 2008, Deutsche Post agreed to sell a minority shareholding of 29.75% in Postbank to Deutsche Bank AG. The transaction will be finalised in the first quarter of 2009. We have adapted our reporting structure accordingly: the Pension Service was transferred from the FINANCIAL SERVICES Division to the mail business as they share a regulatory environment that is almost the same. The remaining segment consists only of Postbank and is therefore reported under “discontinued operations”.

Deutsche Postbank AG presents its business performance for the first nine months of 2008 in its own interim report published on 10 November 2008.

Postbank was amongst the many companies to be heavily affected by the global financial market crisis. The impact on the income statement of developments on the capital markets was felt particularly in the third quarter, especially due to the write-down on Postbank's exposure to investment bank Lehman Brothers. In the first nine months, however, Postbank's operating profit showed a clear positive trend: in a year-on-year comparison, Postbank registered increases in the key income items of net interest income and net fee and commission income. By contrast, net trading income and net income from investment securities declined significantly as a consequence of the market turbulence. Administrative expenses were reduced thanks to efficiency increases and strict cost management. Despite encouraging growth in the retail loan business and because the economic conditions in Germany have remained comparatively stable to date, allowances for losses on loans and advances were notably under the prior-year level. In a year-on-year comparison, profit before taxes fell by €918 million to €-112 million in the first nine months of 2008.

Against this backdrop, discontinued operations recorded a loss of €106 million in the year under review and thus fell clearly below the prior-year figure of €700 million. Profit/loss from operating activities (EBIT) dropped by 106.3%, from €859 million in the first nine months of 2007 to €-54 million when taxes and net finance costs are applied. Operating business performed well in all major product segments despite a continued difficult climate in the German retail banking business.

Net Assets and Financial Position

investors.dpwn.com

Group has strong liquidity position

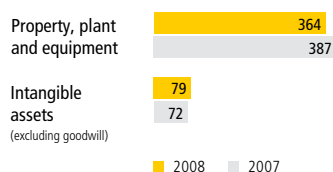
The principles and aims of financial management presented in the [2007 Annual Report](#) starting on page 38 are being pursued unchanged. The US dollar became the Group's most important currency in which debt is denominated in financial year 2008. Including hedging transactions, it accounted for approximately 71% of net debt at the reporting date. It increased primarily because debt denominated in euros declined after we received the repayment of purported state aid plus interest in July.

The effects of the current financial crisis are minimal for our financing requirements and refinancing options because our credit quality is highly rated and we currently have a strong liquidity position that will in fact improve further due to the traditionally very strong fourth quarter. However, in view of the deteriorating global economic environment and the impact this has had on the Group, Standard & Poor's revised the outlook for our rating to negative on 27 October 2008. Moody's placed our long-term rating under review at the end of October.

At the reporting date of 30 September, the Group had unsecured firm credit lines totalling around €3.7 billion, of which €245 million had been used. Average drawings on these lines stood at around 17.8% in the first nine months of 2008 (previous year: 1.5%). 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. The average monthly amounts utilised under the programme amounted to up to €500 million in the reporting period.

Capital expenditure Q3

€m



Capital expenditure

The Group's capital expenditure (capex) amounted to €1,212 million in total in the period to the end of September 2008 (previous year: €1,214 million). Of this figure, €1,015 million was attributable to investments in property, plant and equipment and €197 million to intangible assets excluding goodwill. Group investments were on a level with the previous year for the entire period, but fell by 3.5% year-on-year in the third quarter. Investments in property, plant and equipment related mainly to advance payments and assets under development (€351 million), transport equipment (€176 million), technical equipment and machinery (€161 million), IT equipment (€98 million) and aircraft (€70 million).

Capex and depreciation

9M

€m	MAIL		EXPRESS		FORWARDING/ FREIGHT		SUPPLY CHAIN/ CIS		Corporate Center/ Other		Continuing operations		Discontinued operations	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Capex	196	169	485	532	47	65	328	286	158	160	1,214	1,212	65	59
Depreciation on assets	323	253	329	334	73	75	275	244	187	194	1,187	1,100	115	99
Capex versus depreciation ratio	0.61	0.67	1.47	1.59	0.64	0.87	1.19	1.17	0.84	0.82	1.02	1.10	0.57	0.60

Q3 €m	MAIL		EXPRESS		FORWARDING/ FREIGHT		SUPPLY CHAIN/ CIS		Corporate Center/ Other		Continuing operations		Discontinued operations	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Capex	84	86	175	176	13	20	102	95	85	66	459	443	26	17
Depreciation on assets	111	80	114	113	27	28	102	81	56	76	410	378	37	29
Capex versus depreciation ratio	0.76	1.08	1.54	1.56	0.48	0.71	1.00	1.17	1.52	0.87	1.12	1.17	0.70	0.59

In the MAIL Division, capital expenditure totalled €169 million (previous year: €196 million) and continued to centre 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 drove forward the development of a software platform.

In the EXPRESS Division, capital expenditure increased year-on-year from €485 million to €532 million. Breaking this figure down into individual investments reveals that significant amounts were invested in the development of the air hubs in the Asia Pacific and Europe regions and in our global aircraft network. We also invested in maintaining our European aircraft fleet. 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 totalled €65 million (previous year: €47 million). Of this figure, €33 million was attributable to the DHL Global Forwarding Business Unit, where we continued to improve building facilities and IT infrastructure. €32 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 €328 million to €286 million reflecting the differing requirements to support new and renewed business. In the United Kingdom, investment related to fleet, warehouse, associated equipment and providing solutions for new and existing customers across the various operating sectors. In the Americas region, the capital expenditure centred largely on new business and improvements to existing buildings. In the Mainland Europe region we invested mainly in warehousing capacity to support new business.

Postbank, which is reported under discontinued operations, remodelled its branches in the first nine months of 2008. 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 €59 million in total, investments were below the prior-year level.

Cross-divisional investments rose from €158 million to €160 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.

During the first nine 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	9M	
	2007	2008
Cash and cash equivalents as at 30 September	1,267	1,245
Change in cash and cash equivalents	-494	-94
Net cash from operating activities	1,291	1,921
Net cash used in investing activities	-934	-269
Net cash used in financing activities	-847	-1,745

Net cash from operating activities (Postbank at equity) significantly increased by €630 million year-on-year to €1,921 million. The increased utilisation of provisions was more than offset by a rise in EBIT and a lower net outflow of working capital.

At €269 million, net cash used in investing activities was significantly down on the prior-year figure (€934 million). This was mainly due to proceeds from the disposal of non-current assets, which stemmed primarily from real estate disposals. In addition, interest resulting from the repayment from the state aid proceedings led to a cash inflow of €495 million, which is contained in the interest received line item. Cash was used, amongst other things, to acquire Flying Cargo Ltd. and for the joint venture with New Zealand Post. We also increased our stakes in Exel-Sinotrans Freight Forwarding Ltd. and Williams Lea Ltd.

The increase in net cash from operating activities and the decrease in net cash used in investing activities had a positive effect on free cash flow, which grew by €1,295 million to €1,652 million (previous year: €357 million).

Net cash used in financing activities amounted to €1,745 million (previous year: €847 million). At €1,087 million, the dividend paid to our shareholders for financial year 2007 accounted for the largest share. In addition, the change in financial liabilities led to a cash outflow of €355 million.

Compared with 1 January 2008, cash and cash equivalents fell from €1,339 million to €1,245 million due to the changes described in the cash flows from the individual activities.

Consolidated balance sheet changed

The structure of the consolidated balance sheet as at 30 September 2008 has been changed radically by the planned sale of Postbank. All assets and the liabilities associated with this segment have been reclassified as assets held for sale and liabilities associated with assets held for sale. In contrast, this did not affect the balance sheet as at 31 December 2007.

Total assets amounted to €251,526 million as at 30 September 2008, or 6.8% more than at 31 December 2007 (€235,466 million). The main reason for this is Postbank's successful sales activities, which are reflected in the above-mentioned line items.

Non-current assets declined from €25,744 million to €21,542 million, primarily because Postbank's non-current assets were reclassified. In addition, the sale of real estate to US investor Lone Star, which was completed as at 1 July, reduced property, plant and equipment by €962 million. This is also the main reason for the decrease in investment property from €187 million to €30 million. Deferred tax assets declined from €1,020 million to €371 million, mainly due to the reclassification of Postbank.

The 9.7% rise in current assets to €229,984 million (previous year: €209,722 million) is also due primarily to the reclassification of Postbank's assets. Receivables and other assets increased by €591 million to €10,397 million, in particular because part of the purchase price from the sale of the real estate portfolio is still outstanding. By contrast, this line item decreased due to the reclassification of Postbank's assets. Cash and cash equivalents declined from €4,683 million as at 31 December 2007 to €1,245 million as at the balance sheet date, mainly because Postbank's cash reserve was reclassified.

At €10,769 million, equity attributable to Deutsche Post AG shareholders was slightly below the figure as at 31 December 2007 (€11,058 million). The capital base declined due to the higher dividend for financial year 2007 (€1,087 million) and the adjusted revaluation reserve (€668 million), but was boosted by the consolidated net profit for the period (€1,466 million).

The €20,839 million rise in current and non-current liabilities to €229,836 million as at 30 September 2008 is primarily due to Postbank. It further expanded its business, leading to an increase in liabilities associated with assets held for sale. Additionally, this position contains the reclassified provisions from discontinued operations. Accordingly, current and non-current provisions declined from €12,610 million to €8,979 million. Financial liabilities were significantly reduced, falling from €10,181 million at the end of 2007 to €4,467 million. €5,406 million of this reduction relates to Postbank's reclassified financial liabilities. In addition, loan obligations were repaid and the

i Note 2

i financial liabilities to Williams Lea minority shareholders were reduced. Other current and non-current liabilities fell from €5,462 million to €5,099 million, primarily because we reclassified the discontinued operations.

Indicators for the “Postbank at equity” scenario

Since the reduction of the financial liabilities outstripped the decline in the holdings of cash and cash equivalents, net debt improved, declining from €2,858 million to €2,728 million. Net gearing improved to 20.0%, whilst the equity ratio remained at 31.4%.

Selected indicators for net assets (Postbank at equity)

		31 Dec. 2007	30 Sep. 2008
Equity ratio	%	31.4	31.4
Net debt	€m	2,858	2,728
Net gearing	%	20.3	20.0

Employees

The average number of employees (full-time equivalents) increased in the first nine months of 2008 by 1.7% compared with the previous year’s average to 478,321 (of which 22,150 in discontinued operations). The reasons behind this were, amongst other things, the continued expansion of the European hub at Leipzig/Halle Airport as well as operating growth abroad.

Risks

Opportunity and risk management

Our Group-wide risk management system ensures that opportunities and risks are identified, measured and managed at an early stage. Information on the fundamentals of this system and the significant risks affecting our net assets, financial position and results of operations is contained in the **i** 2007 Annual Report beginning on page 85 and in the 2008 interim reports. With regard to the risks of Postbank, we refer to the **i** 2007 Annual Report of Deutsche Postbank AG as well as its 2008 interim reports.

General business environment and industry-specific risks

On 24 September 2008, the German cabinet approved a draft bill to limit the VAT-exempt status of Deutsche Post AG starting 1 January 2010. Under the bill, VAT exemption will apply only to certain universal postal services pursuant to the EU Postal Directive that are not rendered on the basis of individual agreements or under special conditions, such as rebates. Any enterprise that offers all of these services nationwide in Germany will qualify for the VAT exemption. The draft bill must still be approved by the German Bundestag and the Bundesrat.

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Concurring with Deutsche Post AG, the regulatory authority is of the opinion that the prices it approved are net prices not including VAT. VAT could therefore be added to the approved prices. However, it cannot be ruled out that the application of VAT would lead to a decrease in revenue and earnings.

On 1 July 2008, the European Court of First Instance decreed the decision of the European Commission ordering Deutsche Post AG to repay purported state aid to be null and void. As a result, on 1 August 2008 the German government repaid the sum of €1.067 billion to Deutsche Post AG. The European Commission has filed an appeal against the decision with the European Court of Justice.

On 23 July 2008, the European Commission concluded the formal proceedings concerning the allegation that state aid had been misused in connection with construction of the DHL air hub at Leipzig/Halle Airport. According to the Commission ruling, the use of public funds is in compliance with European law relating to state aid; however, the financial guarantees endorsed by the Free State of Saxony are in breach of EU state-aid regulations. DHL, Leipzig/Halle Airport and Saxony have appealed the decision to the European Court of First Instance.

If the global financial markets remain turbulent and the economy softens as a result, the economic situation of our customers and demand for our services could be negatively impacted. Our revenue and earnings could be accordingly at risk.

The escalating crisis of confidence in the financial sector has led to numerous take-overs at national and international level as well as government rescue plans for banks. Credit spreads have widened again significantly for all asset classes and in some market segments trading has halted entirely. The equity markets have also reacted to the heightening financial market crisis and increasingly gloomy economic prospects with significant price declines. Deutsche Postbank AG, like other companies, was not able to escape the effects of these developments. Postbank's detailed  risk report describes the effects of the financial market crisis on its net assets, financial position and results of operations as well as its risk-bearing capacity.

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Business strategy risks

We are continuing with the restructuring of our US express business. Even though our current efforts are proceeding according to plan, the adverse economic situation has led us to take more drastic measures. Therefore, on 10 November 2008 we announced that we will exit the US domestic express business and clearly focus on our core international business in the US. This plan will allow us to reduce our cost basis in the US by more than 80% and thereby limit our risk exposure in the 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 substantial risks other than those described in the 2007 Annual Report, the 2008 interim reports and this section detailing risks. In our estimation, neither the sum of all risks nor any individual risk represents 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

Deutsche Post to participate in capital increase of Postbank

The Supervisory Board of Deutsche Post AG has approved that Deutsche Post, as the majority shareholder of Deutsche Postbank AG, will participate with up to 100% in the bank's planned capital increase. On 27 October 2008, Deutsche Post has committed to subscribe to the planned rights issue of 54.8 million shares at the subscription price according to its stake of 50% plus one share in Postbank. As far as the subscription price does not exceed €18.25, Deutsche Post has also committed to subscribe to all shares that are not taken up by the market at the subscription price. The maximum commitment by Deutsche Post thus would not exceed €1 billion, which it would finance out of the Group's cash flow. As a result of this measure, Deutsche Post's stake in Postbank would initially increase to a maximum of 62.52%. The agreement with Deutsche Bank AG, under which it will – upon antitrust and regulatory approvals – acquire a 29.75% stake in Postbank from Deutsche Post in the first quarter of 2009, remains in place.

Exit from the domestic express market in the USA and strict cost management

Deutsche Post World Net announced on 10 November 2008 that it will exit the domestic express business in the USA at the start of 2009. The international express offering in the US will be maintained on today's level. Total costs for restructuring the US express business are now at €3 billion, of which the majority will be recorded in the current year. As part of the Roadmap to Value, the Group will achieve its goal in 2008 to generate earnings of €500 million. A strict cost reduction programme has been initiated in place of the previous target of an additional €500 million in 2009. Starting 2009, the Group aims to reduce its annual spending by €1 billion by the end of 2010.

Outlook

Uncertain economic prospect

The financial market crisis has led to even greater uncertainty regarding global growth prospects. Although governments and central banks on both sides of the Atlantic have taken extensive action to contain the negative effects of the crisis on the economy, from a current perspective it is nearly impossible to forecast the consequences of the latest developments on the real economy.

Economic output in the United States is expected to grow at a slower rate again in the second half of the year. Even a decrease cannot be ruled out. Given that the first half turned out better than anticipated, however, economists are projecting GDP growth of a good 1.5% for 2008 as a whole. Forecasts for 2009 are deeply divided. On the whole, however, it is feared that the US economic downturn will last longer than previously thought.

The Japanese economy is feeling the downward global trend to an increased extent. In addition, the strong yen is damaging exports. For these reasons, after an estimated plus of just under 1% in 2008, any gains in momentum in 2009 are not expected to be significant either. For China, another year of double-digit GDP growth is anticipated for 2008. In 2009, growth is forecast to drop slightly under the 10% mark.

The economy in the euro zone is experiencing a pronounced downturn. Whilst growth prospects are expected to brighten in the medium term, stagnation is anticipated for the coming quarters. GDP growth of somewhat over 1% is forecast for 2008 (Postbank Research: 1.1%), for which reason the growth rate for 2009 is hardly expected to exceed stagnation levels (Postbank Research: 0.2%).

In Germany, GDP is likely to increase by nearly 2% in 2008 (Postbank Research: 1.8%). However, German industry is increasingly feeling the slowing effects of the higher euro rate. Whilst economic momentum is expected to regain speed in the course of 2009, GDP growth will in all probability be quite low (Postbank Research: 0.4%).

Organisational adjustment

In the fourth quarter of 2008, the sale of Postbank will also be reflected in our organisational structure.

Continuation of ongoing investment projects

Our plans for capital expenditure in the fourth quarter of 2008 primarily involve continuing the investment projects begun during the first nine months. In addition, investments are planned in the MAIL Division. The focus will be on sorting equipment in the mail centres.

Employee numbers to remain stable at year end

Our planning calls for maintaining the total number of employees at the current level until the end of 2008.

Outlook for fiscal 2008

In October, we adjusted our outlook based on the marked deterioration in the global economy in the third quarter and our expectation that it will remain difficult in the near future. The Group now expects underlying EBIT (without Postbank) for 2008 of €2.4 billion, some 10% below last year's result and 17% less than the previous guidance. The Group had previously forecast EBIT before non-recurring effects of around €2.9 billion (without Postbank).


The principal shortfall will arise in the EXPRESS Division, which has been particularly impacted by deteriorating market conditions in the US. The Group also recorded volume shortfalls in other regions, but those could be mitigated through cost-cutting. Other divisions are likely to be slightly below previous guidance.


As is customary, our intangible assets (particularly goodwill) will be tested for impairment in the fourth quarter. In light of the difficult economic climate, an impairment (a write-down) may be necessary in the SUPPLY CHAIN/CIS Division of up to €1 billion.

Due to increasing restructuring costs of €3 billion for the express business in the USA, one-off charges between €400 million and €500 million in other businesses and possible write-downs in the SUPPLY CHAIN/CIS Division, the Group will probably see a full-year reported net loss for 2008.

Although the Group expects to make profit progress in 2009, it has chosen to withdraw its previous guidance for the year of around €3.4 billion in underlying EBIT adjusted for the deconsolidation of the stake in Postbank. It expects to issue fresh guidance when the economic prospects are sufficiently clear.

Opportunities

We describe the Group's economic opportunities in the  2007 Annual Report starting on page 100. No other significant opportunities were identified in the reporting period.

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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.