Think Globally, Act Locally

Annual Report 2004

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

Think globally, act locally

Deutsche Post World Net is one of the world's leading logistics companies. Our Deutsche Post and DHL brands stand for a wide range of mail, express and logistics services both nationally and internationally. Our portfolio is rounded off by Postbank, the largest single institution in the German retail banking market.

We combine a global presence with far-reaching knowledge of local markets. Our corporate divisions work hand in hand so that we can flexibly fulfill all our customers' logistics requirements. This enables us to systematically exploit the opportunities offered by the trends towards globalization and outsourcing.

As part of our Group-wide integration and value creation program, we are integrating our networks, harmonizing products, managing sales structures centrally and improving all of our processes. This allows us to safeguard the quality of our products and services; it is a prerequisite for our employees' motivation and performance; and at the same time we can increase enterprise value for our shareholders.

Financial highlights		2003	2004	Change in %
Revenue	in €m	40,017	43,168	7.9
thereof international revenue	in €m	17,288	20,585	19.1
Profit from operating activities (EBITA)	in €m	2,975	3,347	12.5
Return on sales [1]	in %	7.4	7.8	
Consolidated net profit	in €m	1,309	1,588	21.3
Operating cash flow (Postbank at equity)	in €m	2,491	2,578	3.5
Net debt (Postbank at equity)	in €m	2,044	–32	–101.6
Return on equity (RoE) before taxes	in %	34.2	32.4	
Earnings per share	in €	1.18	1.43	21.2
Dividend per share	in €	0.44	0.50 [2]	13.6
Number of employees at December 31	headcount	383,173	379,828	–0.9

1) EBITA/revenue
2) The Board of Management intends to propose this dividend to the Annual General Meeting

Milestones in 2004

January
Deutsche Post Global Mail acquires the British company Speedmail International, one of the few licensed postal companies that are active on the national mail market and transport international business mail to and from the UK.

February
DHL Express starts operating an integrated road transport network in the USA and Canada. DHL and Airborne Inc. now offer a uniform product range that combines DHL's reliable international service with the domestic strengths of Airborne Inc. on the US market.

March
DHL and Lufthansa Cargo start jointly operating five international routes. DHL thus further optimizes its global network, and customers benefit from more frequent connections between the American, Asian and European regions.

April
In the Netherlands, Deutsche Post Global Mail acquires the 30% interest in the Interlanden B.V. joint venture previously held by the Wegener group and now holds a 100% interest in the major provider of unaddressed advertising mail in the Netherlands.

May
The Annual General Meeting resolves a dividend totaling €490 million for 2003, representing a dividend of €0.44 per share and an increase of 10% year-on-year.

DHL offers its complete product portfolio in the ten new member states of the European Union. As there are no longer customs restrictions on imports and exports, handling and dispatch are simplified.

Deutsche Post Global Mail announces the acquisition of the two US mail service providers SmartMail and QuikPak. Customers in the USA will in future receive one-stop national and cross-border mail services.

June
Deutsche Post AG and the German union ver.di sign a new wage agreement for a period of 24 months retroactively effective May 1. All employees who are subject to collective wage agreements receive a one-time payment of €65 in July and September 2004. Remuneration rises by 2.7% from November 2004, and by an additional 2.3% from November 2005.

The Postbank IPO is successfully completed; the issue price per share is €28.50. Deutsche Post adopts an innovative transaction structure to handle its subsidiary's IPO in the difficult market situation. It combines a public share offer with an exchangeable bond on Postbank stock and generates total proceeds of around €2.6 billion.

July
DHL Express and Nestlé Germany extend their existing cooperation and sign a master agreement on parcel distribution in Germany. DHL collects the items from Nestlé and its subsidiaries. Nestlé's service providers are also integrated into the master agreement and ship their goods via DHL.

Milestones in 2004

August

The new central transshipment hub at Hong Kong Airport begins operating on schedule: DHL has invested around €90 million in this key infrastructure measure, creating the largest and most modern freight center of its kind in this region.

September

The STAR program for value creation and integration produces results more rapidly than originally planned. The Group therefore increases its forecast for the earnings contribution that the program will generate by more than €100 million, to over €800 million by the end of 2004.

The procedure for the reconciliation of interests with the Group Works Council to integrate the various DHL companies in Germany is completed. We have thus created the basis for the legal and operational reorganization of the DHL companies as of the beginning of 2005.

October

Deutsche Post World Net bundles its international mail services under a new umbrella brand: Deutsche Post Global Mail becomes DHL Global Mail.

DHL Global Mail enters into a cooperation with Yamato Transport, one of Japan's leading private mail and parcel service providers. Together, the two companies now offer their customers international mail products for the Japanese market.

November

Deutsche Post Global Mail continues its strategy of entering national mail markets abroad by acquiring around 38% of the shares in the Spanish company Unipost. The country's largest private postal service provider reaches at least 70% of the Spanish population via its own locations and those of its partners.

DHL acquires an initial 68% of the Indian express company Blue Dart. DHL is the first international express and logistics company to now offer customers its own domestic and international services in China and India.

Deutsche Post World Net announces plans to expand Leipzig/Halle Airport into the European hub for DHL, with operations scheduled to begin in early 2008. The Group plans to invest around €300 million in the new location and to create around 3,500 jobs by 2012.

On November 29, 2004, KfW Bankengruppe sells Deutsche Post stock with a volume of around €1.2 billion. As a result of the placement, Deutsche Post's free float increases from 37.4% to 44% after the overallotment option is exercised.

December

DHL Global Mail acquires the majority of the shares in the French mail service provider KOBA. The company is one of the leading specialists in direct marketing and mail communication in France and cooperates with the French postal service in national delivery. Deutsche Post World Net can now offer its customers high-quality mail services in France.

DHL forms a joint venture with the express and logistics unit of New Zealand Post; both companies have a 50% interest in the venture. The agreement will make a key contribution to expanding DHL's market position in the Asia/Pacific region.

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Dear Shareholders,
friends of Deutsche Post World Net,

"Think globally, act locally" – how often have we heard and read this message in various contexts? Nevertheless, for me it has not lost any of its relevance. In fact I believe that this message is now truer than ever.

The number of people, regions and companies that see globalization as a major opportunity has increased substantially – and will continue to grow. We are delighted to see the extremely upbeat mood in Eastern European countries and in large parts of Asia.

Today, if you don't think globally in our tight-knit world economy, you won't be able to act successfully at a local level in the long term. That is both my personal conviction and the benchmark of our company.

Deutsche Post World Net's logistics services make it a driving force behind the process of globalization: we are the carrier of this phenomenon. We connect the world and thus make it more transparent and more accessible for our customers.

We again met this challenge in 2004, driving forward our strategy and achieving successes. At the same time, my colleagues on the Board of Management and I are clearly focused on the pressing challenges ahead of us.

How will we use the opportunities provided by globalization? Well, there are two answers to this:

1. We think globally.

In 2004, we achieved our goals amid a global economy whose growth rates ranged from an impressive 9.5% in China, to 4.4% in the USA, to a meager 1.6% in our domestic market, Germany. We must continue to strengthen the euro zone's ability to make up this lost ground.

Of course, companies themselves can and must make a key contribution, and my employees and I know only too well that this means hard work. I would therefore like to sincerely thank all our 380,000 staff worldwide for their dedication and their achievements.

Deutsche Post World Net again increased its results in 2004 and therefore fulfilled the expectations of the capital markets.

We achieved considerable successes with our STAR program faster than we expected. As a result, we lifted our earnings forecast for STAR by €100 million to over €800 million in the period under review. But we even managed to exceed that figure: since the program was launched in November 2002, STAR has made an encouraging accumulated contribution of €862 million to consolidated earnings.

Our greatest challenges now lie in the United States. It is undoubtedly the right strategy for a global logistics group to be active on the world's most important express and logistics market. However, we must continue to work on the success brought by our presence there. We have clearly recognized the ground we need to make up, and in the coming year we will lay the foundations for breaking even in the USA by the end of 2006. I am convinced that our services not only promote competition in the USA, they also strengthen our customers and therefore our Group in the long term.

We have again achieved excellent results in Asia. My employees and I take great pleasure from the growth rates of almost 50% that are currently possible in China, and from our operations in a region where you can almost grasp the will to move forward. In China, we will expand our infrastructure and further reinforce our position as a leading partner of industry.

We have again made progress in internationalizing our mail businesses: by acquiring two mail service providers, DHL Global Mail has become a leading partner of the US Postal Service on the American mail market, as well as the largest private US provider in its segment.

2. And we act locally.

To us, acting locally means being where our customers are. For example, we now offer national delivery services in the UK, the Netherlands and Spain. As a result, we are also leveraging opportunities arising from the increasing liberalization of the European mail markets.

We have set a standard in Germany with our plan to expand Leipzig/Halle Airport into the European hub for DHL. Operations are scheduled to begin in early 2008. We intend to invest around €300 million and create over 10,000 direct and indirect jobs in the region by 2012. Not only will this help the important program for economic recovery in the former East Germany, it is above all a strategic business decision. East Germany currently has one of the most modern postal service infrastructures in Europe and a workforce that is just as highly qualified and motivated – as I have repeatedly experienced for myself in recent years.

A particular highlight in 2004 was the IPO of our Postbank subsidiary. As planned, we generated total proceeds of around €2.6 billion thanks to an innovative transaction structure. This also enabled us to meet our responsibility to you, our shareholders. Up until the editorial deadline on March 1, Postbank stock has recorded growth of 25.3% – thus confirming its potential and our determination to deliver value.

After increasing sharply in 2003, Deutsche Post's share price has only just been able to keep pace with the performance of the DAX in the past year. I assure you that we will continue to make every effort to ensure that your investment in our company is profitable in the long term.

We will shortly prove to you how important this issue is to us: at the Annual General Meeting, I will propose to you a dividend of €556 million for the past fiscal year. This means that we are increasing the dividend per share by 13.6% to €0.50 and allowing you to share in the Group's positive overall development.

This is how we will seize the opportunities of globalization.

Deutsche Post World Net aims to become the leading global logistics provider in 2005. My employees and I are working toward this goal in a systematic and focused manner.

2004 has made us more successful on a global scale – in particular because we have kept our focus on local markets. We have internalized the "think globally, act locally" message and implement it in our corporate strategy as well as in our day-to-day operations. And I promise you that we will continue to do so in the future.

Sincerely,

Dr. Klaus Zumwinkel
Chairman of the Board of Management

Members of the Board of Management

Fiscal year 2004

Dr. Klaus Zumwinkel
Chair

Dr. Frank Appel
LOGISTICS, Corporate Services

Uwe R. Dörken (until Nov. 5, 2004)
EXPRESS Americas, Asia, Emerging Markets

Dr. Edgar Ernst
Finance

Dr. Peter E. Kruse
EXPRESS Europe

Dr. Hans-Dieter Petram
MAIL

Walter Scheurle
Personnel

Prof. Dr. Wulf von Schimmelmann
FINANCIAL SERVICES

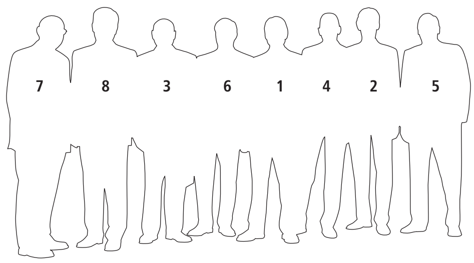
From January 1, 2005

1 Dr. Klaus Zumwinkel
Chair

Born in 1943, business school graduate with a doctorate in business administration, Chairman of the Board of Management since 1990, appointed until November 2008, responsible for Corporate Executives, Corporate Communications, Corporate Development, the Corporate Office, Corporate Organization, Corporate Regulation Management, as well as Corporate Public Policy and Sustainability

2 Dr. Frank Appel
LOGISTICS, Corporate Services

Born in 1961, chemist with a doctorate in neurobiology, member of the Board of Management since 2002, appointed until October 2007, responsible for the LOGISTICS Corporate Division, the STAR Project, Legal Service EXPRESS, LOGISTICS, Insurance and Risk Management, Corporate Legal, MAIL, FINANCIAL SERVICES, Corporate Procurement, Corporate Services Germany, as well as IT Services



3 Dr. Edgar Ernst
Finance

Born in 1952, mathematics graduate with a doctorate in business administration, member of the Board of Management since 1992, appointed until November 2010, responsible for finance including Corporate Controlling, Corporate Accounting and Reporting, Investor Relations, Corporate Finance, Corporate Internal Audit/Security, Taxes, as well as Corporate Functions

4 Dr. Peter E. Kruse
EXPRESS Europe

Born in 1950, holds a doctorate in engineering, member of the Board of Management since 2001, appointed until December 2010, responsible for EXPRESS Europe in the EXPRESS Corporate Division

5 John Mullen
EXPRESS Americas, Asia, Emerging Markets

Born in 1955, Bachelor of Science, member of the Board of Management since January 1, 2005, appointed until December 2008, responsible for the Americas, Asia and Emerging Markets (EMA) in the EXPRESS Corporate Division

6 Dr. Hans-Dieter Petram
MAIL

Born in 1943, holds a doctorate in business administration, member of the Board of Management since 1990, appointed until November 2007, responsible for the MAIL Corporate Division and for Corporate Real Estate

7 Walter Scheurle
Personnel

Born in 1952, member of the Board of Management since 2000, appointed until March 2010, responsible for personnel including Corporate Compensation Policies, Labor Law Germany, Human Resources Services, Human Resources Development, as well as Human Resources Europe

8 Prof. Dr. Wulf von Schimmelmann
FINANCIAL SERVICES

Born in 1947, holds a doctorate in economics, member of the Board of Management since 1999, appointed until April 2008, responsible for the FINANCIAL SERVICES Corporate Division

Dr. Klaus Zumwinkel (Chair)

Membership of supervisory boards required by law

Deutsche Postbank AG [1] (Chair)

Deutsche Lufthansa AG

Deutsche Telekom AG (Chair)

KarstadtQuelle AG

Membership of comparable bodies*

Morgan Stanley (Board of Directors, from Jan. 7, 2004)

Dr. Frank Appel

Membership of comparable bodies*

Danzas Holding AG [1], Switzerland (Board of Directors)

Deutsche Post Ventures GmbH [1] (Investment Committee)

Dr. Edgar Ernst

Membership of supervisory boards required by law

Deutsche Postbank AG [1]

Allianz Versicherungs-AG

Membership of comparable bodies*

Deutsche Post Ventures GmbH [1] (Investment Committee)

Dr. Peter E. Kruse

Membership of comparable bodies*

Danzas Holding AG [1], Switzerland (Board of Directors)

Deutsche Post Euro Express GmbH [1] (Advisory Board)

Guipuzcoana (Narrondo Desarrollo S.L.) [1], Spain (Board of Directors)

Securicor Omega Holdings Ltd. [1], United Kingdom (Board of Directors)

Bremer Lagerhaus Gesellschaft Logistics Group (Advisory Board)

Fraport AG (Advisory Board)

Messe München (Scientific Advisory Board)

John Mullen (from Jan. 1, 2005)

Membership of comparable bodies*

DHL Express Pvt. Ltd. [1], India (Board of Directors)

DHL Japan Inc. [1], Japan (Board of Directors)

DHL Sinotrans International Air Courier Ltd. [1], China (Board of Directors)

Express Courier Ltd. [1], New Zealand (Board of Directors)

Dr. Hans-Dieter Petram

Membership of supervisory boards required by law

Deutsche Postbank AG [1]

HDI Industrie Versicherung AG

HDI Privat Versicherung AG

HDI Service AG

Membership of comparable bodies*

Deutsche Post Bauen GmbH [1] (Advisory Board / Chair)

Deutsche Post Global Mail GmbH [1] (Advisory Board / Chair)

Deutsche Post Immobilienentwicklung GmbH [1] (Advisory Board / Chair)

Gästehaus Petersberg GmbH (Supervisory Board / Chair, until Dec. 31, 2004)

Walter Scheurle

Membership of comparable bodies*

Bundesanstalt für Post und Telekommunikation (Administrative Board)

Prof. Dr. Wulf von Schimmelmann

Membership of supervisory boards required by law

PB Firmenkunden AG [1] (Chair)

PB Lebensversicherung AG [1] (Chair)

PB Versicherung AG [1] (Chair)

TCHIBO Holding AG

Membership of comparable bodies*

Deutsche Postbank Financial Services GmbH [1] (Supervisory Board / Deputy Chair)

PB Capital Corp. [1] (Board of Directors / Chair)

PB (USA) Holdings Inc. [1] (Board of Directors / Chair)

accenture Corp., Irving, Texas, USA (Board of Directors)

ALTADIS S.A., Spain (Board of Directors, from May 24, 2005)

Bundesverband deutscher Banken e.V., Berlin (Board of Management, from Jan. 1, 2005)

Bundesverband öffentlicher Banken Deutschlands e.V. (VÖB), (Board of Management, until Nov. 2, 2004)

* Membership of comparable supervisory bodies of German and foreign companies

1) Group mandate

Josef Hattig

Chairman of the Supervisory Board

Josef Hattig trained as a commercial clerk before studying law and political science. Following positions as *Gerichtsassessor* (junior court officer) and a management assistant, he joined Dortmund brewery Thier & Co., where he held a management position from 1965 to 1972. From 1972 to 1997, he was the Managing Director of Bremen-based brewery Beck & Co. From the fall of 1997 to July 2003, he was Senator for Economic Affairs and Ports. Josef Hattig was also President of the German Brewers Association and Chairman of the Bremen Chamber of Commerce.

Report by the Supervisory Board

In fiscal year 2004, the Supervisory Board performed the duties assigned to it by law and the Articles of Association. In addition to regularly advising the Board of Management and monitoring its corporate management, it was involved in important company decisions. In fiscal year 2004, the Board of Management regularly informed the Supervisory Board in a timely and comprehensive manner of all issues concerning the company's planning, business development, risks, risk management, strategic measures, as well as important business transactions and projects. In particular, all measures requiring the approval of the Supervisory Board were discussed at length, as was the company's strategic focus. The Chairman of the Supervisory Board was continuously informed by the Board of Management about important business transactions and forthcoming decisions, including between Supervisory Board meetings.

The Supervisory Board met three times each in the first and second halves of the year. Mr. van Agtmael was not able to attend more than half of the meetings in person; however, he was involved in decision-making and voted on all resolutions.

The subjects of the Supervisory Board meetings were transactions requiring the approval of the Supervisory Board, in particular the placement of shares of Deutsche Postbank AG. In particular, the Supervisory Board and the Board of Management also held detailed discussions and adopted appropriate resolutions prior to the acquisition of the express company Blue Dart in India and the US companies SmartMail and QuikPak by the MAIL Corporate Division, as well as the sale of McPaper AG with effect from January 1, 2006. In addition, the Supervisory Board was regularly informed about the progress of the Group-wide STAR value creation program. A further key area of its work was the progress of the integration projects in the EXPRESS Corporate Division in Europe. The relocation of the European air freight hub to Leipzig was also discussed. The EXPRESS Corporate Division's business development in the USA, and in particular the integration of Airborne Inc. acquired in 2003, was discussed in detail at all meetings of the Supervisory Board and the Finance and Audit Committee.

The Executive Committee of the Supervisory Board met five times. The main topics of these meetings were issues concerning the Board of Management and further developments to corporate governance, in addition to preparations for the Supervisory Board meetings. The Committee conducted a survey to review the efficiency of the Supervisory Board's work and presented the findings to it in a report. The Supervisory Board's work was rated extremely positively, and suggestions for minor operational improvements were implemented.

The Personnel Committee met four times, focusing in particular on the development of the Group's human resources structure, on corporate culture, idea management and the Social Report.

The Finance and Audit Committee held five meetings and focused primarily on questions of accounting and risk management, auditor independence, issuing the audit engagement, specifying the focuses of the audit, and agreeing on the fees. The annual financial statements and consolidated financial statements for fiscal year 2004, the respective management reports, and the business plan for 2005 were discussed in detail. In addition, the Committee prepared the Supervisory Board's resolutions on Deutsche Postbank AG's IPO and the acquisition and sale of equity investments, and made decisions about real estate transactions.

The Mediation Committee set up in accordance with section 27 (3) of the *Mitbestimmungsgesetz* (German Co-determination Act) did not meet in the fiscal year under review.

The chairs of the respective committees reported regularly on their committees' work to the Supervisory Board.

The auditors issued an unqualified opinion on the annual financial statements and the consolidated financial statements, including the respective management reports, for fiscal year 2004. They also audited the Board of Management's report on affiliated companies (dependent company report) prepared in accordance with section 312 of the *Aktiengesetz* (German Stock Corporation Act). The auditors, PwC Deutsche Revision AG, Düsseldorf, reported on the results of their audit and issued the following audit opinion:

"On completion of our audit in accordance with professional standards, we confirm that
1. the factual statements made in the report are correct,
2. the company's compensation with respect to the transactions listed in the report was not inappropriately high."

The annual financial statements and consolidated financial statements for fiscal 2004, the respective management reports, the proposal for the appropriation of the unappropriated surplus, the Board of Management's dependent company report, and the auditors' reports were made available to and examined by all members of the Supervisory Board. The Supervisory Board discussed these documents in the presence of the auditors, who reported on the key results of their audit and answered questions on it. The Supervisory Board took note of and concurred with the results of the audit of the annual financial statements and the dependent company report. Based on the final results of its own examination, the Supervisory Board did not raise any objections to the annual and consolidated financial statements or the final declaration by the Board of Management in the dependent company report and thus approved the annual and consolidated financial statements. The Supervisory Board endorses the Board of Management's proposal for the appropriation of the unappropriated surplus.

At its meeting on December 9, 2004, the Supervisory Board unanimously agreed that it will continue to implement all the recommendations of the German Corporate Governance Code in the version dated May 21, 2003, in fiscal year 2005.

The Supervisory Board submitted an updated Declaration of Conformity together with the Board of Management on December 9, 2004:

"In fiscal year 2004, the Board of Management and the Supervisory Board of Deutsche Post AG complied with all recommendations of the German Corporate Governance Code in the version dated May 21, 2003, and intend to do so up to the end of the current fiscal year, as well as in fiscal year 2005."

The composition of the Supervisory Board changed as follows in fiscal year 2004:

Mr. Jürgen Sengera resigned as of July 31, 2004, Ms. Ulrike Staake as of August 15, 2004, and Dr. Manfred Overhaus as of September 30, 2004. Mr. Roland Oetker and Mr. Hans W. Reich were appointed by the court to the Supervisory Board on September 10, 2004, and Mr. Gerd Ehlers on October 11, 2004.

The Supervisory Board would like to thank its former members, the Board of Management and all Group employees for their commitment and successful efforts and their first-rate work in fiscal year 2004.

Bonn, March 17, 2005

The Supervisory Board

Josef Hattig
Chairman

Members of the Supervisory Board

Shareholders' representatives

Josef Hattig
(Chair)

Willem G. van Agtmael
Managing Partner,
E. Breuninger GmbH & Co.

Hero Brahms
Member of the Board of Management,
Linde AG (until June 30, 2004)

Gerd Ehlers (from Oct. 11, 2004)
State Secretary, Federal Ministry of Finance

Dr. Jürgen Großmann
Managing Partner,
Georgsmarienhütte Holding GmbH

Prof. Dr. Ralf Krüger
Management Consultant
Professor at the University of Applied
Sciences Wiesbaden

Dr. Manfred Lennings
Management Consultant

Roland Oetker (from Sep. 10, 2004)
Managing Partner
ROI Verwaltungsgesellschaft mbH
President of Deutsche Schutzvereinigung
für Wertpapierbesitz e.V.

Dr. Manfred Overhaus
(until Sep. 30, 2004)
State Secretary, Federal Ministry
of Finance (until June 30, 2004)

Hans W. Reich (from Sep. 10, 2004)
Chairman of the Board of Managing Directors,
KfW Bankengruppe

Jürgen Sengera (until July 31, 2004)

Ulrike Staake (until August 15, 2004)
Managing Director,
Deutsche Bank AG in Hamburg

Dr. Jürgen Weber
Chairman of the Supervisory Board,
Deutsche Lufthansa AG

Employee representatives

Rolf Büttner
(Deputy Chair)
Member of the National Executive Board
of ver.di

Frank von Alten-Bockum
Managing Director, Deutsche Post AG

Marion Deutsch
Chair of Works Council, Deutsche Post AG,
Mail Branch, Saarbrücken

Annette Harms
Deputy Chair of Works Council,
Deutsche Postbank AG, Hamburg

Helmut Jurke
Section Head for Postal, Courier,
Express and Parcel Services
Member of the ver.di National
Executive Board

Dirk Marx
Deputy Chair of Deutsche Post AG's
General Works Council

Silke Oualla-Weiß
Chair of Works Council, DHL Worldwide
Express GmbH, Dortmund

Franz Schierer
Deputy ver.di Regional District Head,
Regional District of Baden-Württemberg

Stefanie Weckesser
Chair of Works Council, Deutsche Post AG,
Express Branch, Munich, Operations/Hub,
Augsburg

Margrit Wendt
Chair of Deutsche Post AG's
General Works Council

Shareholders' representatives

Josef Hattig (Chair)

Membership of other supervisory boards required by law

BauKing AG, Hanover (Deputy Chair)

Bremer Lagerhaus Gesellschaft Logistics Group (Chair)

Membership of comparable bodies*

Hapag-Lloyd AG

(Advisory Board, until Sep. 30, 2004)

Willem G. van Agtmael

Membership of comparable bodies*

Energie Baden-Württemberg AG (Advisory Board)

Landesbank Baden-Württemberg (Advisory Board)

L-Bank (Advisory Board)

Hero Brahms

Membership of other supervisory boards required by law

EDAG Engineering + Design AG, Fulda (from Dec. 3, 2004)

Georgsmarienhütte Holding GmbH (Deputy Chair)

KarstadtQuelle AG

Wincor Nixdorf AG, Paderborn (from June 1, 2004)

Membership of comparable bodies*

M. M. Warburg & CO KGaA (Shareholders' Committee)

Gerd Ehlers

Membership of other supervisory boards required by law

GTZ (Gesellschaft für Technische Zusammenarbeit) (until Dec. 31, 2004)

DB Netz AG (until Nov. 22, 2004)

Membership of comparable bodies*

g.e.b.b. mbH (Supervisory Board)

Dr. Jürgen Großmann

Membership of other supervisory boards required by law

BATIG Gesellschaft für Beteiligungen mbH

British American Tobacco (Germany) Beteiligungen GmbH

British American Tobacco (Industrie) GmbH

SURTECO AG (Chair)

Wilhelm Karmann GmbH

Membership of comparable bodies*

Ardex GmbH (Advisory Board)

Dresdner Bank AG (Advisory Board)

Gesellschaft für Stromwirtschaft mbH (Advisory Board)

Hanover Acceptances Limited, London (Board)

RAG Trading International (Advisory Board)

RWE (Economic Advisory Board)

Prof. Dr. Ralf Krüger

Membership of other supervisory boards required by law

Deutsche Postbank AG

KMS AG (Chair, from Feb. 20, 2004)

MITECH AG (Chair)

Membership of comparable bodies*

SIREO REAL ESTATE ASSET MANAGEMENT GmbH (Advisory Board, from Oct. 5, 2004)

Dr. Manfred Lennings

Membership of other supervisory boards required by law

Bauunternehmung E. Heitkamp GmbH

Deilmann-Haniel GmbH

ENRO AG

Gildemeister AG

Heitkamp-Deilmann-Haniel GmbH (Chair, until Dec. 31, 2004)

IVG Immobilien AG

Roland Oetker

Membership of other supervisory boards required by law

Degussa AG

IKB Deutsche Industriebank AG

Mulligan BioCapital AG (Chair)

Volkswagen AG

Membership of comparable bodies*

Dr. August Oetker-Gruppe (Advisory Board)

Scottish Widows Pan European Smaller Companies OEIC (Board)

Dr. Manfred Overhaus
(until Sep. 30, 2004)

Membership of other supervisory boards required by law

Deutsche Telekom AG (until Sep. 30, 2004)

g.e.b.b. mbH (Supervisory Board, until June 30, 2004)

Hans W. Reich

Membership of other supervisory boards required by law

Aareal Bank AG (Chair)

Deutsche Telekom AG

HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a. G.

HUK-COBURG-Holding AG

IKB Deutsche Industriebank AG

RAG AG

ThyssenKrupp Steel AG

Membership of comparable bodies*

DEPFA BANK plc., Ireland (Board of Directors/non-executive member)

Deutsche Energie-Agentur GmbH (Supervisory Board, until Aug. 27, 2004)

Jürgen Sengera (until July 31, 2004)

Membership of other supervisory boards required by law

AXA Konzern AG (until July 8, 2004)

Ford Deutschland Holding GmbH (until Aug. 18, 2004)

Ford-Werke AG (until June 25, 2004)

Membership of comparable bodies*

Rockwool Beteiligungs GmbH (Supervisory Board)

Rockwool International A/S (Board of Directors)

Dr. Jürgen Weber

Membership of other supervisory boards required by law

Allianz Lebensversicherungs-AG

Bayer AG

Deutsche Bank AG

Deutsche Lufthansa AG (Chair)

Thomas Cook AG (Chair)

Voith AG

Membership of comparable bodies*

Loyalty Partner GmbH (Supervisory Board/Chair)

Tetra Laval Group, Switzerland (Board)

* Membership of comparable supervisory bodies of German and foreign companies

Employee representatives

Frank von Alten-Bockum
Membership of other supervisory boards required by law
Stadtwerke Bonn AG (from Nov. 2, 2004)

Membership of comparable bodies*
Energie- und Wasserversorgung Bonn/Rhein-Sieg (Supervisory Board, from Dec. 9, 2004)

Rolf Büttner
Membership of other supervisory boards required by law
ADLER Versicherungs-AG
Vereinigte Postversicherung VVaG

Annette Harms
Membership of other supervisory boards required by law
Deutsche Postbank AG [1)]

Dirk Marx
Membership of comparable bodies*
Postbank Pensionsfonds AG [1)] (Advisory Board)

Franz Schierer
Membership of other supervisory boards required by law
PSD-Bank RheinNeckarSaar eG

Margrit Wendt
Membership of comparable bodies*
Bundesanstalt für Post und Telekommunikation (Administrative Board)

* Membership of comparable supervisory bodies of German and foreign companies

1) Group mandate

Supervisory Board Committees

The Supervisory Board established four committees from among its members:

Executive Committee
Shareholders' representatives
Josef Hattig (Chair)
Hero Brahms
Gerd Ehlers

Employee representatives
Rolf Büttner (Deputy Chair)
Helmut Jurke
Margrit Wendt

Personnel Committee
Shareholders' representatives
Josef Hattig (Deputy Chair)
Hero Brahms

Employee representatives
Rolf Büttner (Chair)
Margrit Wendt

Finance and Audit Committee
Shareholders' representatives
Dr. Manfred Lennings (Chair)
Gerd Ehlers
Prof. Dr. Ralf Krüger

Employee representatives
Helmut Jurke (Deputy Chair)
Dirk Marx
Margrit Wendt

Mediation Committee
in accordance with section 27 (3) *Mitbestimmungsgesetz*
Shareholders' representatives
Josef Hattig (Chair)
Hero Brahms

Employee representatives
Rolf Büttner (Deputy Chair)
Margrit Wendt

Deutsche Post AG's corporate governance aims to strengthen enterprise value and to promote trust in the management and supervision of the company among investors, customers, employees and the public. Finding the right balance for the division of tasks and responsibilities between the Supervisory Board and the Board of Management is a material element of responsible corporate governance.

Framework

The statutory framework for corporate governance is governed by German stock corporation law. In addition to this, the German Corporate Governance Code adopted by the government commission in February 2002 formulated uniform guidelines for German companies that make the existing rules on corporate governance transparent – including for foreign investors. The German Corporate Governance Code is revised at regular intervals by the government commission and is also adjusted to reflect international developments, among other things. It was most recently amended in May 2003. The annual Declaration of Conformity issued by Deutsche Post AG as required under section 161 of the *Aktiengesetz* (German Stock Corporation Act) is based on the most recent version, as amended.

Management and supervisory structure

In accordance with German stock corporation law, Deutsche Post AG has a dual management and supervisory structure embodied in the Board of Management and Supervisory Board as executive bodies. Deutsche Post AG's Board of Management consists of eight members, who jointly manage the company. The names of the members of the Board of Management, their résumés and the allocation of duties within the Board of Management can be found on pages 4 and 5 of the Annual Report.

The Supervisory Board oversees the management activities of the Board of Management. The Supervisory Board consists of 20 members, and is composed of an equal number of shareholder and employee representatives in accordance with the *Mitbestimmungsgesetz* (German Co-determination Act). The shareholder members of the Supervisory Board are elected by the Annual General Meeting or, alternatively, appointed by a court until the next election; the employee representatives are elected in accordance with the *Mitbestimmungsgesetz*. Seven employee members of the Supervisory Board are employees of the Group, and three are external union representatives. The names and professions of the members of the Supervisory Board are presented on page 9 of the Annual Report. Mandates held by members of the Board of Management and the Supervisory Board in the supervisory bodies of other companies are listed on pages 6, 10 and 11 of the Annual Report.

The cooperation between the executive bodies is defined by the company's Articles of Association as resolved by the Annual General Meeting, the by-laws of the Supervisory Board and the Board of Management, as well as by the resolutions of the executive bodies within the framework of the relevant statutory provisions. These measures determine the subjects and scope of reporting by the Board of Management to the Supervisory Board, and which business of the Board of Management requires the approval of the Supervisory Board. The matters addressed by the Supervisory Board in fiscal 2004 are contained in the Report by the Supervisory Board on pages 7 and 8 of the Annual Report.

Committees

The Supervisory Board has formed committees. The Executive Committee deals with Board of Management matters, such as preparing for the appointment of board members, the conditions of board member contracts, and the approval of the members' outside activities. The Personnel Committee discusses the company's human resources policies, as well as the principles and structures of human resources development and personnel planning. The Finance and Audit Committee concerns itself firstly with the capital expenditure and financing measures to be approved by the Supervisory Board. On the other hand, it supports the Supervisory Board in the areas of accounting and auditing, and engages the auditors elected by the Annual General Meeting. The activities of the Mediation Committee are governed by section 27 (3) of the *Mitbestimmungsgesetz*.

The composition of the Committees is presented on page 11 of the Annual Report.

Remuneration of the Board of Management and the Supervisory Board

In accordance with the recommendations of the German Corporate Governance Code, the remuneration system for the Board of Management is explained in item 49 in the "Notes" section of the Annual Report. We report the individual amount of compensation of the members of the Supervisory Board and the Board of Management, divided into its components. The structure of the stock option plan in which the members of the Board of Management participate is explained in item 33 in the "Notes" section of the Annual Report.

Transparency

Deutsche Post AG has published a financial calendar on its website, in which all of the scheduled dates of recurring publications are listed (e.g. the submission of the Annual Report and interim reports). We also immediately publish insider information that relates directly to Deutsche Post AG in the form of an ad hoc disclosure, unless a delay is required due to special company interests. In such cases, the disclosure is published immediately after the delay has passed. In addition, Deutsche Post AG immediately publishes all reports on the purchase or sale of shares of Deutsche Post AG or related financial instruments by executives of the company or their related parties as soon as we receive them. As of December 31, 2004, there were no securities holdings that are required to be reported in accordance with section 6.6 of the German Corporate Governance Code.

Risk management, accounting, auditing

Deutsche Post AG has institutionalized an opportunities and risk management system enabling it to recognize significant opportunities and risks at an early stage. The system is explained in the Group Management Report on page 67 et seq.

Group accounting uses IFRS (International Financial Reporting Standards) and is the responsibility of the Board of Management. The Supervisory Board engaged PwC Deutsche Revision as the auditors for fiscal year 2004, after it had assured itself that the existing relationships between the auditors and Deutsche Post and its executive bodies give no cause to call the auditors' independence into question.

Declaration of Conformity under section 161 of the *Aktiengesetz* (German Stock Corporation Act)

Deutsche Post AG issued its third Declaration of Conformity based on the German Corporate Governance Code on December 9, 2004.

"In fiscal year 2004, the Board of Management and the Supervisory Board of Deutsche Post AG complied with all recommendations of the German Corporate Governance Code and intend to do so up to the end of the current fiscal year, as well as in fiscal year 2005."

The Board of Management and the Supervisory Board also comply with the suggestions of the Code. The introduction of differing periods of office for shareholders' representatives on the Supervisory Board is not currently planned, nor is the Internet broadcast of the entire Annual General Meeting.

Deutsche Post's listed subsidiary, Deutsche Postbank AG, also announced during its IPO in the first half of 2004 that its Management Board and Supervisory Board will comply in full with the recommendations of the German Corporate Governance Code. The company's Declaration of Conformity dated May 27, 2004, can be accessed on its website. Postbank will submit a Declaration of Conformity for fiscal year 2005 in the first quarter, and intends to comply in full with the Code's recommendations, and as far as possible with its suggestions.

A variety of information about Deutsche Post is also published on its website. The Declaration of Conformity under section 161 of the *Aktiengesetz* is permanently available on the website, as is a reference to the wording of the German Corporate Governance Code.

Stable share price in difficult times

Deutsche Post's share price closed a turbulent year up on the already strong previous year. Despite difficult conditions, we managed to float our subsidiary, Postbank. Our credit ratings remain good. We increased our dividend again and intensified investor communication.

Our stock data		2002	2003	2004	Change 2004 v. 2003 in %
Year-end closing price	in €	10.00	16.35	16.90	3.4
High	in €	17.48	17.64	19.81	12.3
Low	in €	7.62	8.57	14.92	74.1
Price/earnings [1]		7.1	13.9	11.8	–15.1
Price/cash flow [2] [3]		3.8	6.1	8.1	32.8
Number of shares	million of shares	1,112.8	1,112.8	1,112.8	
Market capitalization	in €m	11,128	18,194	18,806	3.4
Beta factor [4]		0.52	0.57 [5]	0.84	47.4
Average trading volume [6]	shares	1,431,046	1,901,051	2,412,703	26.9
Annual performance with dividend	in %	–30.6	67.9	6.4	
Annual performance excluding dividend	in %	–33.3	63.5	3.4	
Earnings per share	in €	0.59	1.18	1.43	21.2
Cash flow per share [3]	in €	2.67	2.70	2.10	–22.2
Equity	in €m	5,095	6,106	7,217	18.2
Return on equity (RoE) before taxes [7]	in %	35.5	34.2	32.4	
Dividend	in €m	445	490	556 [8]	13.5
Distribution ratio [9]	in %	67.5	37.4	35.0	
Dividend per share	in €	0.40	0.44	0.50 [8]	13.6
Dividend yield [10]	in %	4.0	2.7	3.0	

1) Year-end closing price/earnings per share before extraordinary expense
2) Year-end closing price/cash flow per share
3) Cash flow from operating activities
4) Source: Thomson Financials
5) Prior-period amount restated due to a change in the basis for calculation
6) Per day
7) Profit from ordinary activities/average equity
8) The Board of Management intends to propose this dividend to the Annual General Meeting
9) Based on consolidated net profit
10) Based on year-end closing price

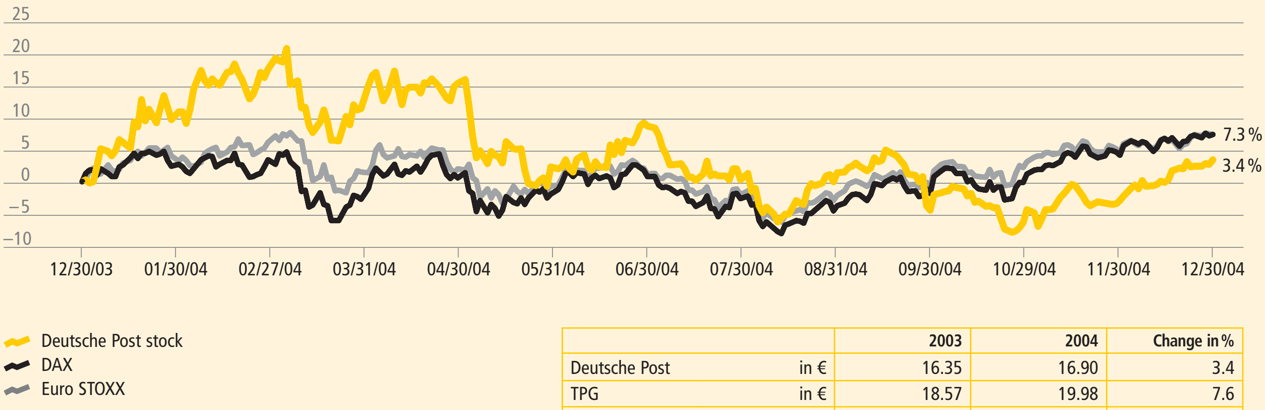
A turbulent year for our shares

In the first nine months of 2004, the stock markets continued to suffer primarily from the continuing threat of terrorism and the rising oil price. However, this trend reversed in the last quarter: at the end of the year, the DAX and Euro STOXX had both increased by 7.3%. The economic operating environment is described starting on page 41 of the Group Management Report.

Our shares developed unevenly during the year under review and were primarily influenced by the following factors: after substantial increases in our share price early on, public debate about Postbank's IPO impacted the value of our stock in the first half of the year. After successfully floating Postbank, the share price initially rallied in June, before coming under pressure again in September. At that time we had forecast that any involvement in the American domestic express market bringing long-term success would require further investment, and that DHL would therefore not break even in the Americas region until the fourth quarter of 2006. We comment in more detail about this on page 54 of the Group Management Report.

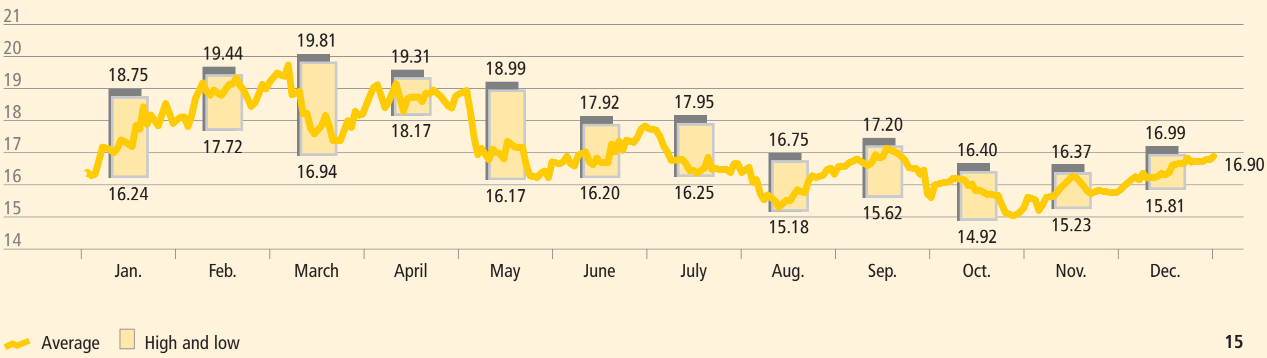
However, as the year progressed, our share price tended slightly upwards again, as a performance comparison with the most important indices shows (see below). On December 31, 2004, our shares closed at €16.90, representing an increase of 3.4% compared with the previous year.

Comparative performance (indexed)
Closing prices on the last trading day of the respective index in %



		2003	2004	Change in %
Deutsche Post	in €	16.35	16.90	3.4
TPG	in €	18.57	19.98	7.6
FedEx	in US$	67.50	98.49	45.9
UPS	in US$	74.55	85.46	14.6

High and low/moving average 2004
in €



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The table below presents an overview of the key data regarding our shares. Various domestic and foreign banks regularly issue derivative financial instruments such as warrants, equity discount certificates and equity-linked bonds on our shares.

Our stock – key data	
ISIN	DE 000 555 2004
German securities code number (WKN)	555 200
Exchange symbol	DPW
Reuters ticker symbol	DPWGn
Bloomberg ticker symbol	DPW
Stock exchanges	Frankfurt, Stuttgart, Munich, Hanover, Düsseldorf, Berlin/Bremen, Hamburg and Xetra
Prime sector	Transportation & Logistics
Industry group	Logistics
Membership of Deutsche Börse's indices	PRIME ALL, CDAX, HDAX, DAX

Dividend increases again

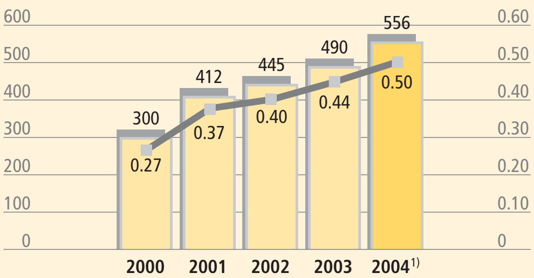
The Board of Management intends to propose the payment of a dividend per share of €0.50 to the Annual General Meeting on May 18, 2005; this corresponds to a total dividend of €556 million and an increase of 13.6% compared with the previous year. The development of the dividend since fiscal year 2000 is shown in the diagram below. As in previous years, the dividend is tax-free for shareholders resident in Germany, resulting in a net dividend yield of 3% based on the year-end closing price of €16.90. The distribution ratio is 42.7% of Deutsche Post AG's net profit for the period and 35.0% of the consolidated net profit. This means, for example, that a shareholder who subscribed for 1,000 Deutsche Post shares on December 31, 2003, would have achieved a return of 6.4% including dividends, and 3.4% excluding dividends, at the end of 2004. Our website now has a portfolio calculator that allows shareholders to constantly monitor their investment's performance.

Analysts recommend Deutsche Post stock

Our shares are currently being monitored and evaluated by 34 banks. At the end of the year, there were 24 positive and 10 neutral recommendations on our shares. We update the analyst recommendations overview each month on our website.

Dividend per share/dividend

in €m in €



Dividend   Dividend per no-par value share

1) The Board of Management intends to propose this dividend to the Annual General Meeting

More shares in free float

At the time of our IPO in November 2000, we were obliged by law to guarantee that the Federal Republic of Germany would remain the main shareholder in Deutsche Post. For this reason, only 50% minus 26 shares were admitted to free trading at the time. The legal requirements have now changed to allow further privatization measures to be introduced:

- On October 22, 2004, the Frankfurt Stock Exchange admitted the remaining 556,400,026 Deutsche Post AG shares to trading on all German stock markets.
- On November 29, 2004, KfW Bankengruppe (KfW) sold an additional tranche of 72.8 million Deutsche Post shares (including greenshoe) from its holdings to institutional investors. We welcome this further privatization measure.
- On January 10, 2005, the Federal Republic of Germany transferred 141.7 million of its shares to KfW.

The interest held directly by the Federal Republic of Germany thus fell to 7%. This will enable us to extend our investor base, achieve a stronger weighting in the relevant stock market indices, and increase the liquidity of our shares. The current shareholder structure is shown in the left-hand diagram below. KfW also issued two exchangeable bonds on Deutsche Post stock (one on January 8, 2004, with an exchange period of three years and one on January 31, 2005, with an exchange period of five years), whose exchange volumes are each around 5%. If all investors exchange both outstanding exchangeable bonds into Deutsche Post stock, the free float will rise to 54% (as shown in the diagram on the right, below).

Greenshoe (also termed an "overallotment option"): to cover the event that demand for shares exceeds the planned issue volume, the share issuer and the underwriting syndicate agree in advance that overallotment options can be issued to the underwriters at the issue price.

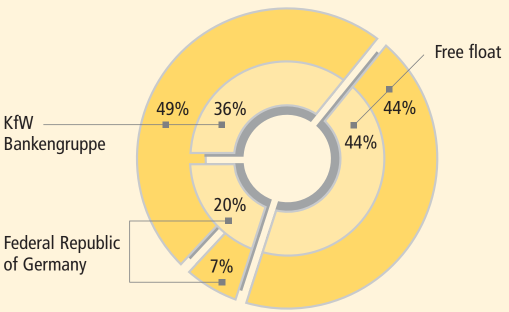
Annual General Meeting renews global authorization

The 2004 Annual General Meeting adopted the following resolutions in particular:

- The compensation of the members of the Supervisory Board was adjusted; the Articles of Association were amended accordingly.
- The Board of Management was authorized to issue convertible bonds and/or bonds with warrants, to disapply pre-emptive rights and create contingent capital at the same time.
- The global authorization allowing the Board of Management to buy back own shares was renewed. To date, we have not exercised this option to buy back our own shares.

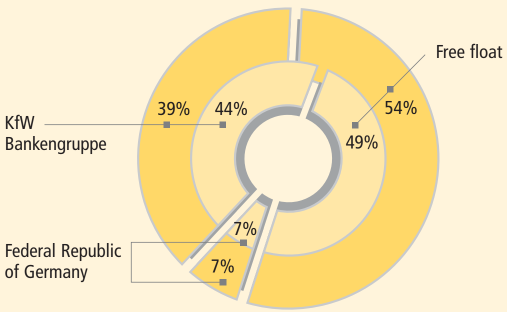
The complete agenda, the voting results and the speech by the Chairman of the Board of Management can be downloaded from our website.

Shareholder structure



December 31, 2004 January 10, 2005

Shareholder structure following the exercise of all exchangeable bonds



On conversion of the January 2004 bond On conversion of the January 2005 bond

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Agencies lift ratings outlook

Deutsche Post's credit rating remained unchanged in the "Single A" range in 2004, thus confirming our continued above-average credit rating. In September, Standard & Poor's upgraded its outlook for Deutsche Post to "stable". This was a reaction to the announcement of our intention to continue to strengthen our financial structure, and to use part of the net proceeds from Postbank's IPO to reduce pension obligations and net debt. Moody's also lifted our rating outlook to "stable" in October. The following table shows an overview of the ratings.

Ratings	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Long-term	A1	A	A+
Outlook	Stable	Stable	Stable
Short-term	P–1	A–1	F1
Last change	October 7, 2004	September 14, 2004	August 1, 2003

Bond supplements public share offering

In June 2004, during the course of the IPO of our subsidiary, Deutsche Postbank AG, we issued an exchangeable bond on Postbank stock in the principal amount of €1,082 million in addition to the public share offering. This innovative transaction structure allowed us to counter the difficult market situation: both the shares and the bond were placed successfully; the lead managers also exercised their respective overallotment options for both in full. The following table shows an overview of the bonds. The development of the spreads is shown on our website.

Bonds	Euro bond	Euro bond	Euro bond	Exchangeable bond
Nominal amount	€636 million [1]	€679 million [1]	€926 million [1]	€1,082 million [1]
Nominal coupon	4.250%	5.125%	4.875%	2.65%
Maturity	October 4, 2007	October 4, 2012	January 30, 2014	July 2, 2007
Start of trading	October 10, 2002 [2]	October 10, 2002 [2]	November 3, 2003 [2]	September 29, 2004 [3]
ISIN	DE 000 927 9034	DE 000 927 9042	DE 000 801 6502	DE 000 A0B D2N8
German securities code number (WKN)	927 903	927 904	801 650	A0B D2N
Debtor	Deutsche Post Finance B.V., Netherlands			Deutsche Post AG
Issuer	Deutsche Post Finance B.V., Netherlands			

[1] The third quarter of 2004 saw a partial buy-back of the bonds issued by Deutsche Post Finance B.V., Netherlands, by Deutsche Post AG
[2] Official market, Frankfurt Stock Exchange
[3] Official market, Luxembourg Stock Exchange

Award for investor communication

We further intensified and expanded communication with analysts and investors. In September, we dedicated a Capital Markets Day to the EXPRESS and LOGISTICS Corporate Divisions. Members of the Group's Board of Management and regional management presented the results to date and the long-term strategies of their divisions, and answered questions posed by over eighty participants on-site and live on the Internet. Our investor relations team visited investors in Europe, North America and Asia as part of a program of more than 40 roadshows. In total we held well over 400 one-on-one discussions with institutional investors in the year under review. In addition, we represented our company at around 30 investor conferences in Germany and abroad, and at private investor fairs in Vienna and Düsseldorf.

You can find details of investor relation events planned for fiscal year 2005 in the financial calendar on the inside back cover of this Report.

We completely revised and expanded our Internet presence – which forms a core element of our information offering. Investors can now find additional information such as analyst recommendations, median values for analyst estimates, a portfolio calculator, and an interactive share chart on our website. For the first time, private investors were given the opportunity to discuss the results for the first three quarters online with the head of Investor Relations. Given the thoroughly positive response, we will continue this service in 2005. In August, our website was named the best investor relations website of all the companies in the DAX by the independent management consultancy SirValUse. The key assessment criteria used were: extent and accessibility of the information on offer, topicality and user-friendliness.

Median value:
the median is the value that lies in the middle of a series of measured values listed in order of size. Unlike the average value, the median is hardly affected by individual outliers.

We were also rewarded for our financial reporting: *Deutsche Schutzvereinigung für Wertpapierbesitz* (DSW – a German association for private investors) conducted its first survey of the quarterly reports of the 30 DAX companies, examining the quality of information that is useful for investors. These include the outlook, risk reporting, reporting on significant events and compliance with publishing deadlines. Deutsche Post was awarded the first DSW prize for the best quarterly report in December 2004.

Key performance indicators for the Group

As in the previous year, we are reporting economic profit in addition to the EBITA performance indicator as part of our value-based Group management. With economic profit we measure the value that we generate for our shareholders from operations, taking into account the cost of capital used to generate revenue and profits.

We use the Group's weighted average net cost of interest-bearing debt and equity expressed as a percentage, adjusted for division-specific risk factors, as the cost of capital. We use this rate, multiplied by the average net assets employed, to determine the total cost of capital.

We calculate the economic profit by deducting the total cost of capital from the net operating profit after taxes. The calculation is based on the presentation of the Group in the "Postbank at equity" scenario and includes financial obligations from non-cancelable operating leases.

The economic profit increased substantially by 17.7% year-on-year to €793 million. The main reasons for this are as follows: on the one hand, the net operating profit after taxes increased, while on the other, the total cost of capital remained almost unchanged. The average net assets employed fell slightly; this was due in particular to Postbank's IPO, which reduced our investment, and to the decline in the net present value of obligations from operating leases. In contrast, the weighted average cost of capital after taxes at Group level was set slightly higher at 6.2% (previous year: 6.1%). The decline in the general level of interest rates therefore offset an increase in the equity portion in our capital structure – in particular due to the elimination of net debt.

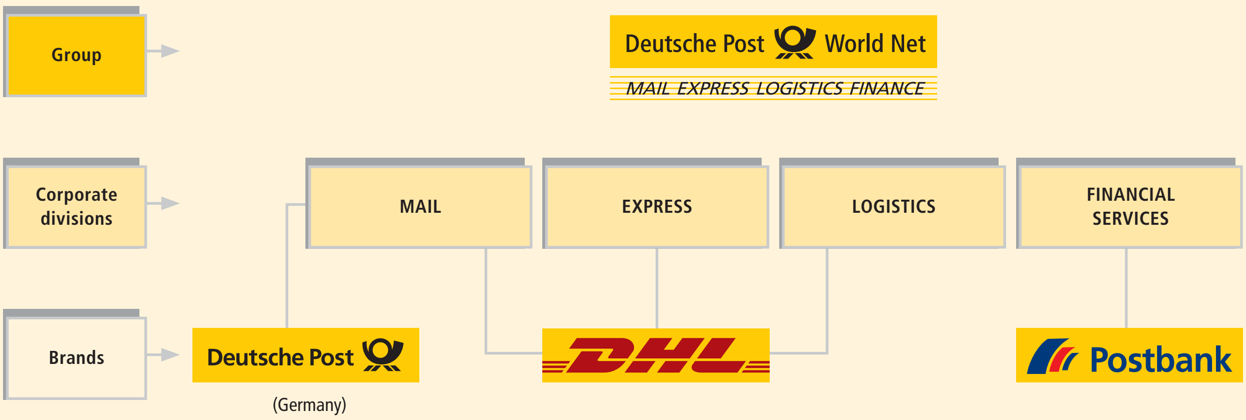
Economic profit (Postbank at equity) in €m	2002	2003	2004	Change 2004 v. 2003 in %
Net operating profit after taxes	1,712	1,866	1,992	6.8
Average net assets employed	17,555	19,543	19,344	–1.0
Total cost of capital	–1,071	–1,192	–1,199	0.6
Economic profit	**641**	**674**	**793**	**17.7**

Corporate Strategy

Creating value through international standards

Starting from our strong basis in the German mail and parcel business, we have not only expanded our service portfolio in recent years, but also our operating area: we are currently represented in over 220 countries and territories worldwide. We believe that global reach and local knowledge are two strategic goals that usefully complement each other and meet the needs of our internationally oriented customers. We are now concentrating on harmonizing our networks, products and quality standards under the Deutsche Post, DHL and Postbank brands, and therefore on further increasing our enterprise value.

Brand architecture



Strategic answers to logistics market trends

Deutsche Post World Net's goal is to become the leading global logistics company. We made good progress toward this in 2004 thanks to a range of strategic measures. On the one hand, these relate to the trends toward globalization and market deregulation. On the other, we are also meeting our customers' demand for intelligent outsourcing* solutions and value added services*, thus enabling them to concentrate fully on their core competencies. In this way, we are unlocking additional earnings potential for ourselves and our customers.

Seizing the opportunities provided by liberalization

In our mail business, we are systematically leveraging the opportunities available to us from increasing market liberalization. We therefore made acquisitions in the USA, the UK, the Netherlands, France and Spain in 2004. In addition, we agreed cooperations with major national companies in the USA, Japan and Mexico that are outlined in the section on the MAIL Corporate Division on page 26. An overview of all significant acquisitions is also provided in the Group Management Report beginning on page 63.

As a result, in October 2004 we began bundling our international mail services outside Germany under a new umbrella brand: Deutsche Post Global Mail has become DHL Global Mail as a consequence of our one-stop shopping* concept. This means that we now offer global mail, express and logistics services from a single source. The diagram on page 20 gives an overview of the Group's brand architecture.

The gradual process of deregulation is not only apparent on the mail markets: China – a market with enormous growth potential – has also increasingly opened up to global trade in recent years. We are already in an excellent position here with licenses for a total of 17 locations. This enables us not only to offer cross-border services, but also to participate in the lucrative domestic logistics market. As we have our own branches in China, we are able to guarantee the high quality of our services. From our new central air transport hub at Hong Kong Airport, we can serve both China and the whole of Asia with express and logistics services.

Driving forward the reinforcement of our networks

Our business needs strong networks. However, it is not sufficient to only serve the world's central hubs – since a local presence is a key factor for success. In the USA, the world's largest express market, we therefore took additional measures in the past year to strengthen our operations. We urgently need to successfully complete the consolidation of the networks operated by DHL and Airborne Inc., to increase our capacities and ensure that DHL develops positively in the long term. To achieve this, we have resolved additional investments and other expenditures in the year under review; these measures are outlined in the Group Management Report on page 54.

To help our customers enter the markets of the future, we have increased our international reach in our express and logistics business. As part of their long-term strategic alliance, DHL and Lufthansa Cargo started jointly operating five international routes in March 2004. We are thus optimizing our global network, and customers benefit from more frequent connections between the American, Asian and European regions. Our planned European hub in Leipzig will allow us to substantially further increase the capacity of our European network.

* These terms are explained in the Glossary

The increasing process of integration is making our transport networks* more and more modern, efficient and rapid. At the same time, we are realizing economies of scale from our standardization measures and as a result we are delivering better quality at lower costs. Two examples from the STAR Program in Europe are as follows:

- As part of a pilot project, we have defined the future structure of the hubs* and depots in the Benelux region. We are currently working on implementing this plan. This means that terminals will be closed, combined or built, and delivery trips will be bundled.
- We are operating our first fully integrated terminal in Saragossa, Spain, where we now offer a one-stop service for our entire product portfolio from express shipments to freight.

Strengthening information technology

We support our customers' business with combined flows of goods, information and finances. A strong IT infrastructure is a key factor for success here. This is why we again further strengthened our IT in 2004: as planned, DHL opened a new regional data center in Prague in September. Together with its existing locations in Scottsdale, USA, and Kuala Lumpur, Malaysia, the express and logistics service provider now has three centers in different time zones that enable it to provide technical support for and safeguard its global business activities around the clock.

Deutsche Post ITSolutions was able to further improve the quality of its services, and at the same time reduce IT costs in the Group. To make our IT service offering more transparent across the Group, we introduced service portfolios and quality standards for products and services. In addition, we improved workflows and thus substantially reduced the number of external IT consultants – including the related costs.

Further developing outsourcing* solutions

Our customers are exposed to growing competitive pressure that is increasingly causing them to outsource parts of or even their entire value chain of activities that are not their core business to service providers. They also require one-stop cross-border solutions which offer consistently high quality. We intend to continue to profit from these trends in the future. To this end, we have introduced the Global Customer Solutions (GCS) organization for our EXPRESS and LOGISTICS Corporate Divisions that centrally serves around 100 selected multinational top clients of the two divisions. We report on GCS's activities in the section on the EXPRESS Corporate Division on page 31. In addition, we are increasingly offering not only standardized, but also individual value added services. The initiatives relating to these are described in the sections on the MAIL, EXPRESS and LOGISTICS Corporate Divisions, beginning on page 24.

In the section on the FINANCIAL SERVICES Corporate Division beginning on page 37, we outline how Postbank is also profiting from the trend toward outsourcing thanks to its new Transaction Banking Business Division.

Transaction banking: organizational and technical settlement and consulting services for payment transactions.

STAR program produces results across the Group

The ability to offer an integrated range of products and services remains a key strategic goal for the Group. We are laying the foundations for this with our STAR program for value creation and integration that was launched in fall 2002. STAR's goal is to optimize processes, fully exploit synergies in the Group, and thus increase our enterprise value.

* These terms are explained in the Glossary

The program comprises over 100 individual projects that have the following goals at an international level:

- to achieve uniform branding,
- to harmonize our sales structures,
- to standardize our product range,
- to integrate existing networks and
- to optimize horizontal functions such as procurement and IT.

This enables us to improve our entire offering, systematically orient it to our customers' needs, and substantially cut our costs.

The individual projects can be divided into two groups:

1. Value that we create at Group level and within the MAIL and FINANCIAL SERVICES Corporate Divisions. We report on the latter in the sections on the corporate divisions on pages 27 and 28.
2. Measures designed to more closely integrate the EXPRESS and LOGISTICS Corporate Divisions under the joint DHL brand. You can find further examples in the sections on the EXPRESS Corporate Division on page 31 and the LOGISTICS Corporate Division on page 35.

Group-wide procurement was again one of the highest-priority initiatives in 2004. The large number of subprojects described in the Group Management Report starting on page 74 has allowed us to further standardize processes and effectively bundle our procurement volume.

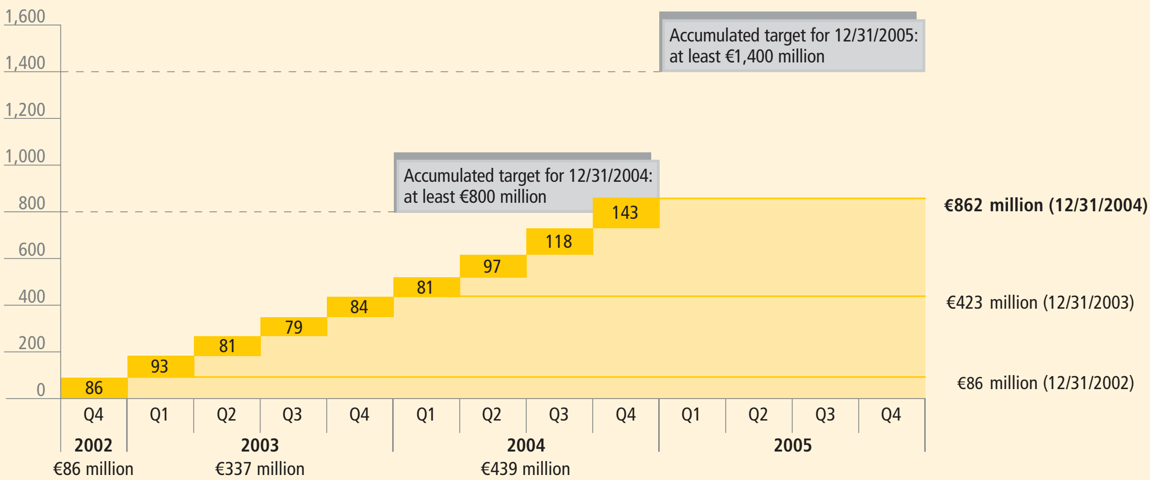
We successfully completed numerous projects at Group and corporate division level in the year under review, such as the Corporate Center & Overhead subprogram. Its goal was to improve the efficiency of the work performed by Group headquarters and internal service providers. The program succeeded in doing this by refocusing central functions, defining service portfolios for 15 internal service providers and establishing productivity goals. This enabled us to achieve considerable savings.

STAR gets results faster

We achieved successes in a range of key projects faster than previously expected. STAR contributed €439 million to consolidated earnings in the period under review. Since the program was launched in November 2002, STAR has made an accumulated contribution of €862 million.

Overall, we are reiterating the projected earnings growth from STAR of at least €1.4 billion. We expect the Group's profit from operating activities (EBITA) to reach at least €3.6 billion in 2005. As planned, in 2005 we will focus more strongly on implementing the measures required to integrate our networks in Europe.

Accumulated earnings contribution from STAR since November 2002
in €m



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Additional Information

Local knowledge

We deliver an average of 70 million letters throughout Germany each working day. Our one-stop value added services* and end-to-end solutions for targeting customers with advertisements make us an expert partner for business customers. We are the largest postal company in Europe and our global network is the most comprehensive of its kind for international mail transport: it includes production facilities at central hubs, sales offices and production centers in four continents, as well as direct connections to more than 200 countries and territories. Our strengths are quality, local market knowledge and recognizing the needs of our customers. On this basis, we are developing more and more from a pure carrier to a provider of services that cover the entire mail value chain.

MAIL at a glance		2004
Workforce [1]		126,913
National sales volume	Average number of items per working day, in millions	70
Quality (D + 1) [2]	in %	95
International sales volume	Number of items in 2003, in millions	2,597
Global production facilities		123

[1] Calculated as FTEs, excluding trainees, as of December 31
[2] This means that 95% of all letters in Germany are delivered to the recipient one day after being posted

* These terms are explained in the Glossary

The development of the markets relevant to the corporate division, the revenue and earnings situation, as well as investments are discussed in detail beginning on page 44 of the **Group Management Report.**

From basic products to systems solutions

We have bundled the MAIL Corporate Division's service offering into five business divisions, as shown by the structure below.

In addition to our basic products, the Mail Communication and Direct Marketing Business Divisions are increasingly developing solutions for specific customer and industry requirements. Two examples of these are as follows:

- We not only design postal vote documents and voter notification cards for municipal and local authorities during elections, we also print and dispatch them. We also provide additional services, such as harmonizing the ballot paper with the election documents. In addition, we address, pack and insert postal vote documents into envelopes, thus relieving the authorities of costly manual activities.
- Advertising mail is a suitable method of strategically targeting customers, in particular for small and medium-sized businesses. We therefore offer our small business customers a package of measures covering the entire campaign from advice on advertising, through the individual creation of advertising mail, to its dispatch at optimized postage rates.

As demand for one-stop mail-related systems services* is increasing markedly and we see substantial growth potential here, we have bundled these into a separate business division called Value Added Services. This enables us to give our customers comprehensive advice, and to develop one-stop shopping* solutions that correspond to their specific requirements and processes. We can therefore help them reduce their costs and optimize internal administrative activities – allowing them to concentrate fully on their core business.

We are using the experience we have gained on the German market to expand our expertise across Europe. Our foreign subsidiaries contribute additional know-how and good knowledge of their regional markets. We have extended the mail services bundled in our Mail International Business Division to other countries. For example, as a result of the investments and acquisitions agreed in 2004, we can now offer national delivery

Business divisions, key services and products

Mail Communication	Direct Marketing	Press Distribution	Value Added Services (Solutions Business until the end of the year)	Mail International
■ Transport and delivery of mail products ■ Special services (e.g. registered mail, advice of delivery) ■ Franking services (e.g. Stampit software for PC franking) ■ Philately* (stamps and accessories for collectors)	■ Distribution of advertising mail for business customers ■ Industry-specific, tailored end-to-end solutions for business customers (e.g. compilation of advertising campaigns that combine various elements)	■ Distribution of newspapers and magazines	■ Services along the mail value chain (e.g. address management and document reading; printing, enveloping and dispatching services from bulk printed matter to customized advertising mailings; mailroom management; call center services)	■ Import and export of mail items to and from Germany ■ Cross-border mail ■ Mail services in other countries' domestic markets ■ International value added services

* These terms are explained in the Glossary

services in the UK, the Netherlands, France and Spain. We have also entered the USA – the world's largest mail market: by acquiring SmartMail and QuikPak, we have not only become the largest private mail service provider in America, we are also cooperating with the United States Postal Service (USPS) over the last mile of delivery. You can find further details on our acquisitions in the Group Management Report starting on page 63. In addition, we have further expanded our business platform due to cooperations: we now cover key parts of the Asian and Latin American markets with Yamato, a leading transport service provider in Japan, and the Mexican postal service SePoMex. Business outside Germany is becoming extremely important to us given the increasing liberalization of mail markets.

In October 2004, we began bundling our international mail services outside Germany under a new umbrella brand: DHL Global Mail now stands for our global, cross-divisional one-stop shopping concept. The Group's brand architecture is presented in the section entitled "Strategy" on page 20.

Focus on quality

Our mail services are based on sophisticated technology and seamless processes. This is reflected in the impressive 89% automation achieved by our mail centers. As part of the STAR program, we again significantly improved efficiency in our downstream production areas in 2004, as you can read on the next page.

Our customers use four criteria to measure the quality of our mail services:

- correct processing,
- short transit times,
- no losses and
- no damage to items.

When surveyed, they unanimously agreed that the transit time of letters was the most important quality criterion. This again amounted to an extremely good average of 95% in Germany for 2004. This means that, for every 100 letters handed to us during our daily opening hours or before the last collection, 95 were delivered to their recipients the next day, or the average transit time for a letter in Germany was 1.06 days. We are also exporting our high quality standards to other European countries: with a rate of 96%, we again substantially exceeded the requirement laid down by the European Union (EU) for importing letters. This stipulates that at least 85% of letters within the EU be delivered to their recipients in the destination country three days after being handed over in the country of origin.

In 2004, we began further expanding our intranet-based quality control system. This enables us to rapidly and systematically analyze any defects that occur and counteract them at an early stage. The MAIL Corporate Division adopted the slogan “Focus on quality” for the entire year under review, and we took a large number of individual measures to reinforce the high quality of our services.

The STAR value creation and integration program:
Improved procedures increase efficiency and customer benefits

In fiscal year 2004, we reached a key stage on the path to completely automated final delivery sorting*: as part of our new automation concept, we have now centrally installed carrier sequence sorting machines in our 82 mail centers. In addition, we have increased the number of machines used. These measures have enabled us to bundle mail volumes and substantially increase sorting volumes from 1.3 billion to around 9.4 billion items during the year. In addition, we succeeded in increasing the weekly mail volume in our delivery districts and at the same time in reducing the number of districts from 58,500 in the previous year to below 57,000.

We also improved our processes in special services. For example, the simplified preparation of mail items using barcode stickers reduces our costs and at the same time increases the benefits for our customers, who can track online or by telephone whether their items have been delivered.

In addition, we are working even more efficiently than before in our international mail services: modified sorting procedures for direct marketing items being sent abroad led to substantially lower processing costs. What is more, we have converted procedures for billing other postal services and thus considerably accelerated them.

We have also further optimized our overnight airmail network and reduced the number of flights that transport letters within Germany from 23 to 20 per night.

Profiting from outsourcing*

As part of the STAR program for value creation and integration, we will intensify the measures that we successfully introduced to increase productivity. For example, in 2005 we will continue to drive forward final delivery sorting and complete the process of equipping our redirection centers with state-of-the-art machinery.

In addition, we will overhaul our overnight airmail network in 2005 and reduce nighttime flights even further, with the aim of cutting costs and protecting the environment.

We are extremely confident that we can continue to profit from the ongoing trend toward outsourcing business processes. We will continue to expand our solutions portfolio in the MAIL Corporate Division, focusing initially on the needs of financial service providers, utilities, municipal and local authorities, and municipal utilities.

Internationally, we are pursuing a clear growth strategy: our aim is to expand not only geographically, but also to increase our presence in national markets and enlarge our product and service offering. In doing so, we intend to systematically use the opportunities available to us from the liberalization of international mail markets.

* These terms are explained in the Glossary

EXPRESS Corporate Division

At home in every continent

We transport courier, express and parcel (CEP) shipments for our customers rapidly, safely and on time all over the world. The basis for this is our comprehensive network that allows us to optimally combine air and ground transport. On the one hand, this gives us a reach that covers every continent, and on the other, our companies with a strong regional presence ensure that we are represented in the countries where our customers are based. We are therefore familiar with the local markets and, in close cooperation with the LOGISTICS and MAIL Corporate Divisions, we can offer a one-stop service for any transport solution via our DHL brand.

EXPRESS at a glance	2004
Workforce [1]	139,944
Hubs*	36
Bases*	4,410
Vehicles	72,000
Countries and territories	over 220
DHL in Germany	
Parcel centers*	33
Packstations	over 400

[1] Calculated as FTEs, excluding trainees, as of December 31

* These terms are explained in the Glossary

The development of the markets relevant to the corporate division, the revenue and earnings situation, as well as investments are discussed in detail beginning on page 44 of the **Group Management Report.**

Harmonized product offering in all regions

In the EXPRESS Corporate Division, we offer international courier, parcel and express services in three product lines under the DHL brand. The characteristics of these services are outlined in the overview below. To reflect the needs of our customers, in 2004 we harmonized our product portfolio and now distinguish our transportation services by the criteria of speed, weight and destination. We have structured the corporate division according to the regions in which we are active.

In Europe, we carry parcel and express shipments predominantly via our own ground-based transport networks*. Time-critical shipments are delivered by air using our own aircraft within Europe, and beyond the continent we purchase the required capacity from the market. We provide groupage* services and transport less than container loads* and full container loads* by road, rail or using combined transport. We therefore cover all weight classes from documents to full loads. In addition, we provide value added services and comprehensive distribution services for mail order companies.

The business-to-consumer* segment accounts for a large proportion of our business in Germany. There are primarily two reasons for this: on the one hand, the use of mail order services is extremely widespread in Germany, and on the other, Internet shopping is increasingly popular. We have therefore developed a variety of solutions for Internet shopping that make online transactions simpler and more transparent. In 2004, we agreed a strategic partnership with the online marketplace, eBay. Our service portfolio ranges from the online product consultant that helps with the selection of the optimum dispatch method, to end-to-end management of the sales process for “top” or “power sellers” for which we procure, store, sell and dispatch the goods.

Outside Germany, the business-to-business* segment dominates Europe. We have also extended our offering in this area to include solutions for individual branches of industry, such as automotive, electronics or fashion.

The eastward expansion of the EU on May 1 of fiscal year 2004 promises a growing volume of trade and therefore greater demand for transportation solutions. The Baltic states in particular are strong growth drivers. This is why we introduced a day-definite service between these states and other European countries at the beginning of 2004. Our customers thus profit from delivery on a specified day, from uniform service and quality standards, and from our comprehensive network.

Regions, key services and products

Europe | Americas | Asia/Pacific | Emerging Markets

Europe:
- Groupage services, transportation of less than container loads and full container loads in freight forwarding, and special services

Three lines for all national and international CEP products[1]:
- Same day*
- Time-definite*
- Day-definite*

[1] We offer value added services* in all three product lines, such as customs clearance and special logistics solutions for mail order companies

* These terms are explained in the Glossary



In North America, we have made progress driving forward the integration of Airborne Inc.'s air- and ground-based transport networks, which we began in 2003. The key results are as follows:

- Today, DHL and Airborne Inc. present a single face to their customers in the USA, with a shared product offering that combines DHL's reliable international service with the domestic strengths of Airborne Inc. on the US market.
- Airborne Inc.'s pick-up and delivery* networks were integrated in full, which now gives us an integrated road transport network in the United States and Canada.
- All of Airborne Inc.'s international air and ocean freight customers are now served by the logistics experts at DHL Danzas Air & Ocean.
- We have bundled all our IT functions in the USA at a single location: our modern IT center built in Scottsdale, Arizona, has already enabled us to cut total costs, while increasing service quality.

We are using our international DHL network as a basis to tap into national markets, with Asia as a strategic focus. In 2004, we added more branches to our close-knit regional air network, and in August we commissioned our new central hub at Hong Kong Airport that can handle up to 440t of airfreight a day. With usable space of 18,200m^2, the freight center is the largest and most modern of its kind in the region, and is a major component in our Asia strategy. In addition, we are operating Air Hong Kong as a joint venture together with Cathay Pacific. In the period under review, the venture received the first of six new wide-body freight aircraft that will enable us to further expand our regional network of routes. In China, we are the first foreign carrier to offer a domestic door-to-door parcel delivery service. In addition, DHL formed a joint venture with the express and logistics unit of New Zealand Post; both companies have a 50% interest in the venture. In the future, customers of DHL and New Zealand Post can choose from an end-to-end offering of cross-border express and logistics services.

We have direct connections with the emerging economies in Eastern and South Eastern Europe, Africa and the Middle East.

Meeting customer needs

Over 400 Packstations have now been installed in 17 German cities. These are machines that registered customers with a customer number and personal code can use to collect and drop off parcels at any time of the day or night. The user figures reflect how well this flexible opportunity has been received by our customers: at the end of the year under

* These terms are explained in the Glossary

review, more than 150,000 customers had registered to use Packstations – twice the number in the previous year. In 2004, this unique service was not only named the world's most innovative postal product, but also received the Multimedia Award for the Best Interactive Solution in Germany.

Another innovative solution to the special requirements of our business customers in metropolitan areas is the Friendly Button, which is currently being tested in a pilot phase in Berlin: selected customers receive a small transmitter that already has their data stored on it. At the touch of a button, they can now ask for their shipment to be collected and contact our customer service staff around the clock.

In addition, we established a Competence Center China in Germany to support middle-market German companies with their business activities in China: the center provides advice on all issues relating to trade with this country.

In 2004, we built the Asia Pacific Quality Control Centre in Singapore, which enables us to control and manage shipping processes for the whole of Asia in real time.

The STAR value creation and integration program:
DHL – a global brand

DHL has been the umbrella brand for Deutsche Post World Net's express and logistics business since 2003. To achieve uniform branding on a global scale, we began harmonizing the image of all vehicles, uniforms, packaging materials and buildings in the same year. In the USA, our advertising campaign for the "new DHL" increased unaided brand recognition by 95% during 2004. In Asia, a broad-based advertising campaign has also ensured that the DHL brand is omnipresent.

We have responded to the customer trend towards globalization by forming the new Global Customer Solutions (GCS) sales organization, which was established at the beginning of the year under review. Instead of thinking in terms of product categories or regions, DHL is pursuing an entirely customer-tailored strategy. More than 100 multinational key accounts each have an individual contact person who coordinates all express and logistics services by air, land and sea, and who offers support to develop individual solutions, and thus combines global presence with local knowledge.

Further expansion of infrastructure

To strengthen our European air transport network, we intend to expand Leipzig/Halle Airport into our central European hub. Operations are scheduled to begin in Leipzig in the first quarter of 2008.

In the USA, we will continue to drive forward the integration of Airborne Inc. and strengthen our infrastructure. To achieve this, DHL will start operating seven additional regional sorting centers next year and thus increase delivery capacity for ground transport by 60%. In addition, we will concentrate all air transport networks on our main hub at DHL's Air Park in Wilmington, Ohio.

LOGISTICS Corporate Division

Tailor-made solutions for a global market

The globalization of purchasing, production and distribution* is making supply chains more and more complex. The ability to successfully manage them is increasingly giving manufacturers and trading companies a key competitive edge. Since cost pressure is rising at the same time, this task is increasingly being passed on to specialized service providers. The associated requirements are, however, high: logistics companies must have a global reach and at the same time be familiar with local conditions. They must offer a wide range of standardized services as well as develop tailor-made industry solutions. Only companies that can satisfy these apparently contradictory demands will be able to penetrate deep into their clients' value chain. Deutsche Post World Net has the capability to do this, and successfully implements it.

LOGISTICS at a glance		2004
Workforce [1]		32,159
DHL Danzas Air & Ocean		
Air freight volume	in t	2,200,000
Ocean freight volume	in TEUs [2]	1,120,000
Branches		590
Local presence	Countries	over 160
DHL Solutions		
Warehouse space	in million m²	3
Distribution centers		300
Local presence	Countries	24

[1] Calculated as FTEs, excluding trainees, as of December 31
[2] Twenty-foot equivalent units

* These terms are explained in the Glossary

The development of the markets relevant to the corporate division, the revenue and earnings situation, as well as investments are discussed in detail beginning on page 46 of the **Group Management Report.**

The right solution for every requirement

In the LOGISTICS Corporate Division, we provide a wide range of international logistics services under the DHL umbrella brand, as shown by the overview below.

In the DHL Danzas Air & Ocean Business Division, we primarily carry containers and pallets. We do not maintain our own air and ocean fleet; instead, we buy loading space and charter capacity on the global market. We handle most of our transport volumes using selected freight carriers*. We use a structure based on gateways*, organized either at country level or across borders, to achieve a high degree of consolidation.

Value added services* form a further cornerstone of our service portfolio: we use our IT-supported Customer Program Management* to monitor and guide the client's supply chain via a "control tower network"*. For example, we coordinate clients' delivery volumes, bring together shipments from different suppliers and then ship them. The clients receive all relevant information and so always have an overview of the whole logistics process, allowing them to avoid having to hold high inventory levels, tying up high levels of capital, and thus cut costs. We also coordinate complex logistics services for infrastructure and industry projects, where we handle the smooth delivery of plant and equipment, for example production systems for the oil and gas industry.

The core of the DHL Solutions Business Division is contract logistics*. Here, we develop complete logistics solutions for companies from industrial sectors such as automotive, pharma/healthcare, electronics/telecommunications, fast moving consumer goods*, and textiles/fashion. As the diagram at the bottom of page 34 shows, we put together a package of tailored logistics solutions for these customers. This makes us different from freight carriers, who primarily only offer individual services. During the fiscal year, we extended our long-standing cooperation with Samsung in several European locations: we took over the logistic support of Eastern European distribution activities and are handling inventory storage, dispatch and return management for Samsung's Consumer Electronics Division.

Business in contract logistics is based on long-term relationships: contracts with major and multinational businesses generally have a duration of three to five years. In fiscal year 2004, we were able to extend 85% of existing contracts. This high rate was a full 15% above the figure reported in 2003, and shows that customers are satisfied with our solutions and our performance.

Business divisions and key services

DHL Danzas Air & Ocean

- Global air freight (time-defined products, charters)
- Global ocean freight (LCL/FCL*)
- Management of industrial and infrastructure projects
- Customer Program Management (transport-related IT-based value added services)

DHL Solutions

- Contract logistics: services which we can provide along the whole supply chain are shown in the diagram at the bottom of page 34

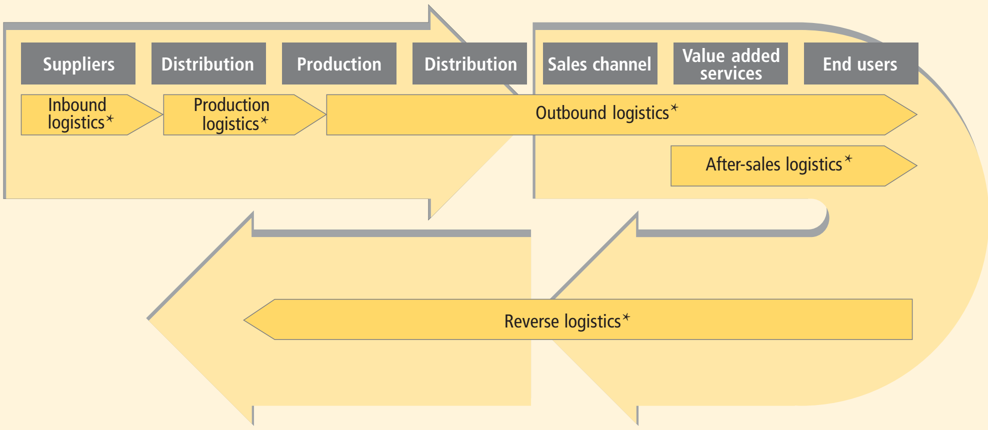
* These terms are explained in the Glossary

Success through high quality

All the services that we provide for our customers must be reliable, flexible and secure. Reliability means always living up to our performance promises. Our size means that we can make enough freight capacity available to our customers to prevent the build-up of capacity bottlenecks. We manage our customers' flows of goods in such a way as to ensure that all the goods required in the supply chain are available at the right time, in the right amount, and in perfect condition at the right place. Here, we often take over our customers' inventory management – either in their existing warehouses or warehouses specially built by us. In doing so, we concentrate on what are known as multi-user warehouses*, using complexes at strategically important locations that can be used in a flexible way by several customers. This allows us to react quickly to the changing requirements of our clients and also to optimize warehouse productivity.

The measures we have taken in the area of security have been recognized by various certifications and by a customer's "Security Award". In the DHL Danzas Air & Ocean Business Division, we have a security department and a safety program that meets international security requirements such as the C-TPAT* initiative. The secure transport and storage of valuable goods is also becoming increasingly important in contract logistics. In 2004, we therefore formulated our high standards for building maintenance, protection and security in a single basic concept and strengthened our security management.

Integrated solutions along the entire supply chain



* These terms are explained in the Glossary

The STAR value creation and integration program:
Cross-divisional cooperation intensified

We bundled all of our Group's express and logistics activities under the DHL brand name in 2003. To be able to deal with the trend for one-stop shopping* and realize the potential for added value, in 2004 we intensified cross-divisional cooperation using the following measures:

- The "StarBroker" project allowed us in air freight to further optimize the purchasing of freight capacity and to manage volumes even more efficiently. Here, a single internal freight carrier negotiates rates and freight capacities with the airlines, establishes the rates for our country organizations and bundles transport flows via gateways*. We also use DHL aircraft in this context.
- We purchase some of our road transport services in Europe from the EXPRESS Corporate Division in the DHL Solutions Business Division, and plan to extend this in the future.

We have also begun to further optimize domestic logistics – the upstream and downstream activities for the actual ocean transport – for ocean freight: competence centers coordinate the various delivery and pick-up transport alternatives, enabling transport and demurrage costs to be reduced and means of transport to be optimally used.

We also won profitable new contracts in the year under review in the DHL Solutions Business Division through the MORE program, and increased our distribution center productivity by, for example, installing platforms to permit the cross-border exchange of best-practice information.

Further growth through customer orientation

We will carry on with the strategy of continual growth in the DHL Danzas Air & Ocean Business Division. We particularly want to further strengthen our position in Asia. For example we are supporting the Starbucks Coffee Company in Asia by coordinating the transport of goods and store fittings from the USA and Europe to Asia, and managing intra-Asian logistics using our Customer Program Management. We are also endeavoring to expand our business in North America, for example by generating higher transport volumes on key routes. We will also increase our range of high-quality value added services, for example by growing our range of temperature-controlled transport solutions for the pharmaceutical industry.

Our DHL Solutions Business Division is also targeting the growth regions of North America and Asia. In addition, we are endeavoring to reinforce operations within Europe, and in doing so are looking above all towards the South and East.

We increasingly want to offer integrated services such as the new Transport Management Center, where we plan the transport process and capacity utilization, select the transport service providers, monitor transport and handle the billing and payment processes. We are already running the entire European distribution network of multinational customers in this way. This allows us to generate additional business, and customers to concentrate on their core activities.

* These terms are explained in the Glossary

FINANCIAL SERVICES Corporate Division

One-stop services

Measured by the number of customers, Deutsche Postbank AG is the largest single institution in the German retail banking market. We have approximately 12 million private customers who contact us via all sales channels, where they find a uniform product and service offering that covers the whole spectrum of banking services. In corporate banking we are one of the leading providers of payment transaction services and are also developing selective finance solutions. We are profiting from the trend toward outsourcing* in the banking sector by taking over payment processing for other credit institutions.

FINANCIAL SERVICES at a glance		**2004**
Postbank		
Workforce [1]		10,006
Total checking accounts	in m	4.8
Savings volume	in €bn	40.8
Customer loans	in €bn	37.4
Retail Outlet Group		
Workforce [1]		20,889
Number of retail outlets		13,019
Own outlets		5,365
Partner outlets		7,654
Weekly opening hours	Average number of hours per outlet	42

[1] Calculated as FTEs, excluding trainees, as of December 31

* These terms are explained in the Glossary

The development of the markets relevant to the corporate division, the income and earnings situation, as well as investments are discussed in detail beginning on page 48 of the **Group Management Report**. We would also like to draw your attention to the Annual Report for 2004 published by Deutsche Postbank AG (Postbank) on March 21, 2005.

Financial products to meet market requirements

In addition to Postbank, Deutsche Post World Net's FINANCIAL SERVICES Corporate Division also includes the Retail Outlet Group and the Pension Service, as can be seen from the overview below.

In recent years, our listed subsidiary, Postbank, has developed into a modern full-service bank with a focus on retail banking. It covers a wide range of predominantly standardized banking products that meet the typical needs of private and business customers. In addition, we provide personalized investment advisory services for complex products via Postbank Vermögensberatung AG.

Retail banking
means mass market private customer business.

In the corporate banking business, we provide support for approximately 40,000 medium-sized to large businesses, primarily in the area of payment transactions. We also run a selective lending business. In the USA, Postbank works together with the PB Capital Group, mainly in the area of commercial finance.

A new segment introduced in 2004 was Transaction Banking, where we not only provide efficient organizational and technical settlement for our own payment transactions, but also offer the same services as a specialist outsourcing partner for other credit institutions.

Finally, the Financial Markets segment manages Postbank's money and capital market transactions.

Many channels – a single performance promise

Postbank uses various sales channels to serve its customers whose high accessibility and functionality are the decisive quality criteria.

The retail outlets form the focus of banking sales: Postbank's products are offered at more than 9,000 retail outlets, approximately 780 of which are large, mostly centrally located, "Postbank Centers". In addition to standard products, customers are advised on financial matters.

Units, key services and products

Postbank
and its business divisions

Retail Banking

- Checking accounts, credit and debit cards, savings products, securities, funds, insurance, home savings and financing, and private loans

Corporate Banking

- Payment processing services, short-term investment of cash surpluses, credit lines, commercial finance, factoring, leasing and logistics finance

Transaction Banking

- Organizational and technical settlement and consultancy services for payment transactions

Financial Markets

- Investment of surplus of deposits in money and capital markets, risk management, asset management

Retail Outlet Group

- The Group's most important fixed sales outlet in Germany; it also sells, for example, telecommunication and energy services

Pension Service

- Processes pension payments abroad and at home for statutory pension and accident insurance funds in Germany, and for foreign social security agencies

The quality of service in the retail outlets is measured using the criteria of friendliness, expertise, image and waiting times. The standard of the services provided in the retail outlets is systematically checked by neutral test customers from the TNS Emnid market research institute. In 2004, the retail outlets managed to further improve the previous year's already high level of customer satisfaction of 93% to 94.1% as objectively measured by Emnid. We have systematized and standardized our financial advisory services in the retail outlets. In April of the fiscal year, we received TÜV certification for this. We regularly perform audits to assure the quality of the processes and to ensure we maintain our certification.

Postbank is becoming increasingly popular as a multichannel bank: not only did the number of online accounts rise in 2004 from more than 1.6 million to more than 2.3 million, but customer satisfaction also increased. A customer survey by Emnid awarded Postbank a score of 1.9 in online banking, giving us a value above the market average of 2.1. Postbank also operates highly efficient call centers, which use features such as an interactive speech recognition system, thus achieving a high degree of automation in the processing of telephone calls.

Quality is therefore a high priority for Postbank: in addition to a company-wide representative, quality representatives are also active in all board departments.

The STAR value creation and integration program:
Adapting the retail outlet network

As the figures show, our customers are using the various communication media more and more; they are increasingly executing their transactions online or by telephone, particularly in multichannel banking. We therefore further adapted our retail outlet network to meet this change in demand in fiscal year 2004: we transferred the postal and Postbank business of smaller retail outlets to our partner and Post Service outlets. This has allowed us to reduce costs, and our customers profit from a wider range of one-stop shopping* products and services as well as longer opening hours. We closed approximately 600 small retail outlets that had most recently been serving very few customers, and replaced them by a mobile postal service, thus guaranteeing all our customers, including those in rural areas, the basic postal services.

In the year under review, we continued to pursue our policy of developing Postbank into one of Germany's most state-of-the-art transaction banks: on May 1, 2004, Postbank took over all payment transactions for Dresdner Bank. Since July 1, 2004, it has also been processing all domestic and some international payment transactions for Deutsche Bank.

* These terms are explained in the Glossary

Expansion of core business

Postbank intends to acquire further customers in its Retail Banking Business Division through products such as the Postbank Giro extra plus.

On the one hand, we want to intensify sales of high-value products in asset advisory services, and on the other, to develop standardized products. For example, we want to boost sales of consumer loans under the DSL brand in fiscal year 2005. Among other things, we entered into distribution alliances with financial services providers AWD and MLP; these initiatives should show their full potential in 2005.

In the corporate banking business, Postbank will continue to gear its offerings to services focused on payment transactions and selected credit products.

We intend to further expand our new Transaction Banking business and to become the partner of additional banks for the processing of payment transactions.

We also want to further develop our technical platforms. In the future, for example, Postbank's IT infrastructure will ensure that customer contacts via the Internet will be simultaneously made transparent to the retail outlet network. The call centers will be integrated into this IT infrastructure in the course of 2005. This technology will make it easier for our customers to switch to other sales channels and thus support our multi-channel approach.

Deutsche Post World Net intends to further optimize the structure of its retail outlet network. In doing so, we will orient ourselves on customer demand. By the end of 2005, we want to have achieved the number of 12,000 outlet locations stipulated by law. All measures will satisfy the regulatory requirements and meet the voluntary commitment we published in 2004.

Postbank Giro extra plus:
a product introduced in 2004 that combines a checking account, a credit card and a brokerage account. The complete package is provided free of charge to customers with account credits of at least €3,000 a month.

Group Management Report

Growth course continues

Key figures		2003	2004	Change in %
Revenue, EBITA and return on sales [1]				
Total revenue	in €m	40,017	43,168	7.9
Total EBITA	in €m	2,975	3,347	12.5
Total return on sales	in %	7.4	7.8	
MAIL				
Revenue	in €m	12,495	12,747	2.0
EBITA	in €m	2,082	2,085	0.1
Return on sales	in %	16.7	16.4	
EXPRESS				
Revenue	in €m	15,293	17,792	16.3
EBITA	in €m	365	367	0.5
Return on sales	in %	2.4	2.1	
LOGISTICS				
Revenue	in €m	5,878	6,786	15.4
EBITA	in €m	206	281	36.4
Return on sales	in %	3.5	4.1	
FINANCIAL SERVICES				
Income	in €m	7,661	7,349	–4.1
EBITA	in €m	568	692	21.8
Other key figures				
Earnings per share	in €	1.18	1.43	21.2
Dividend per share	in €	0.44	0.50 [2]	13.6
Net debt (Postbank at equity)	in €m	2,044	–32	–101.6
Return on equity (RoE) before taxes	in %	34.2	32.4	
Operating cash flow (Postbank at equity)	in €m	2,491	2,578	3.5

1) EBITA/revenue

2) The Board of Management intends to propose this dividend to the Annual General Meeting

Overview

Revenue and earnings growth

In fiscal year 2004, we recorded further operational improvements: Group revenue grew by 7.9% to €43.2 billion, while our profit from operating activities before goodwill amortization (EBITA) showed even stronger growth of 12.5% to €3.3 billion. We achieved this healthy performance in an economic environment in which oil prices and euro exchange rates reached all-time highs. Positive business developments in the LOGISTICS and FINANCIAL SERVICES Corporate Divisions contributed significantly to earnings growth. In addition, the Postbank IPO generated proceeds of around €1.6 billion, which contributed to a clear decrease in net debt in the "Postbank at equity" scenario from €2,044 million to €–32 million.

Economic Environment

Buoyant growth in global economy

The global economic recovery that began after the end of the war in Iraq picked up rapidly in 2004, with investment in particular providing a powerful stimulus. Although the rise in oil prices slowed this development occasionally in the second half of the year, the global economy still grew by 5% overall. This was the strongest growth for nearly thirty years! Even more substantial was the expansion in world trade, which grew by a good 9%.

The main driver for this growth proved to be the **USA.** Encouraged by a 10% increase in capital spending, domestic demand also increased strongly, as can be seen in the following table. The result was strong growth in imports which outstripped the increase in exports, although here, too, respectable growth was evident. This led to a further widening of the US current account deficit, which reached record-breaking levels.

Growth indicators for 2004 in %	Gross domestic product (GDP)	Exports	Domestic demand
Euro zone	1.7	6.3	1.7
Germany	1.6	8.2	0.4
USA	4.4	8.1	5.1
Japan	2.6	14.4	1.8
China	9.5	35.4	n/a

n/a = not available

Source: Postbank Research

Asia proved once again to be the fastest-growing region of the world. Particularly surprising was **Japan's** renewed strong increase in gross domestic product. The enormous increase in exports had a knock-on effect on domestic demand. Both capital and consumer spending were up strongly year-on-year, putting the Japanese economic upturn in 2004 on a broad footing.

China continued to enjoy unabated strong economic growth. At 9.5%, gross domestic product rose even faster than in the previous year. The increases in capital spending were so strong that the government was prompted to take measures to counter the economy overheating. The country continued to enjoy increasing popularity among international investors. Foreign direct investment was up again by 14% and reached US$60.6 billion, a new record high. China's increasing integration into the global economy was also reflected in very strong increases in imports and exports, which rose 35.4% and 36.0% respectively.

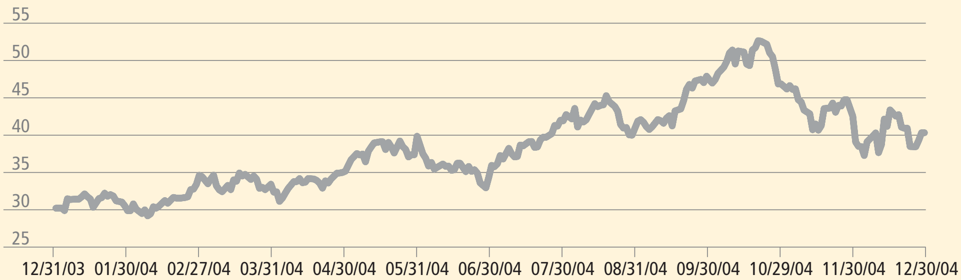
Economic developments in the **euro zone** also benefited from the positive global conditions, although growth in gross domestic product was only moderate. Economic development was also extremely heterogeneous. In some euro zone countries, such as France and Spain, growth was driven mainly by domestic demand.

In **Germany**, on the other hand, the somewhat below-average growth in GDP was mainly rooted in an improved trade surplus, whereas private consumption again declined slightly. Consumers' willingness to spend, which was already low, was further impacted by the price of oil. In addition, there was substantial uncertainty due to changes in the social system such as medical practice fees and the Hartz IV social reforms. The level of investment, which declined for the fourth consecutive year, was also disappointing. There were, however, tentative signs of recovery in the second half of the year.

Oil prices hit record levels

Oil prices rose unexpectedly sharply in 2004, as can be seen from the diagram below. At the beginning of the year, almost all experts were expecting a drop in the price of Brent crude below the US$30 per barrel mark for the remainder of the year. From mid-year on however, the price increased massively. In July, it broke through the US$40 barrier, beating the previous all-time high, and in October it even breached the US$50 mark. The development essentially had two causes: on the one hand, demand for oil surged massively because of the unexpectedly buoyant upturn in the global economy; on the other, this demand – in particular from China and India – met with only limited production capacity. It was only after the fears of an oil shortage had faded that oil prices again experienced a clear downward correction.

Price of Brent crude per barrel in 2004
in US$



US dollar weak

The US currency got off to a weak start in 2004, as shown by the following diagram. By February the euro had passed the US$1.28 mark, a record high up until then. The currency markets then settled down again, before focusing on the impact of the American current account and federal budget deficits in the fall. The US dollar came under massive pressure against the euro. At the end of the year, the euro was worth US$1.36, a historic high; its overall gain in the course of the year was almost 8%.

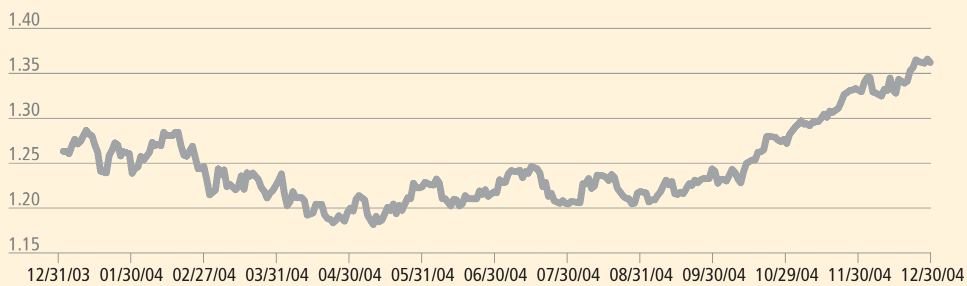
Stock markets see end-of-year rally

The international stock markets were unable to profit from the strong upturn in the global economy in the first half of the year, as investors were skeptical whether the recovery would last. In the summer, the sideways movement in the markets even threatened to collapse under the pressure of the climbing oil price, which fuelled overall gloom about the economy. However, as of late summer this skepticism disappeared owing to the high degree of stability of the US economy in particular and a further improvement in company profits. In the fall, the stabilization of the stock markets was followed by an end-of-year rally that resulted in positive overall developments for the leading stock market indices. The S & P 500 grew by 9.2% in 2004, while the Euro STOXX 50 and DAX, at 7.3% each, were only slightly lower.

Bond market offers attractive environment for corporate bonds

The European bond markets mirrored the ups and downs on the American capital markets until the middle of the year. On balance, long-term interest rates in the euro zone saw a slight increase. Reflecting the growing uncertainty about the economic recovery, capital market rates dropped appreciably from mid-year on in both the USA and in Europe. From October, the robust domestic economy and repeated increases in key interest rates led to a rise in US capital market rates, whereas the strong appreciation of the euro meant that European long-term interest rates developed independently and eased overall in 2004. The falling interest rates benefited corporate bonds in particular. The risk premium as against government bonds decreased still further, so the environment for corporate bond issues remained highly attractive.

The US dollar in 2004
in €



German mail market stable

The national market for **mail communication** stabilized at about €7.5 billion, the same level as the previous year. Mail substitution by electronic communication media such as e-mail and text messaging remained moderate overall. The continuing market liberalization has led to a loss of sales volume to our competitors. Their market share is continuing to increase at the regional level in particular, reaching 7.8% in the year under review. Our market share decreased accordingly.

Market shares (volume) in mail communication in Germany in %	2003	2004
Deutsche Post	93.7	92.2
Competition	6.3	7.8

Source: company estimates

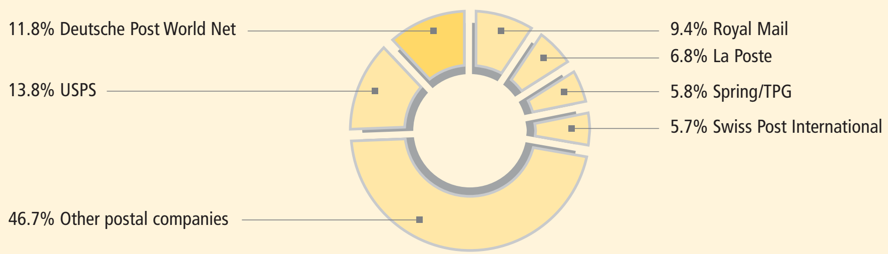
In the **advertising market,** our relevant market sector – direct marketing in the narrower sense – grew in the year under review from €19.7 billion to €20.6 billion; it contains all necessary expenditures along the value chain for advertising mailings, telephone and e-mail marketing. In the segment for paper-based direct marketing, reinforced sales activities led to an increase in volume, enabling us to maintain our market share of 13.7%.

In the market for **press distribution,** which continued its overall decline, we were able to maintain our share of 11.0%. The total volume sank from the previous year's 19.8 billion items to its present 19.3 billion, as circulation was reduced and magazines discontinued in the areas of TV program guides and automotive customer publications in particular.

The global market volume for **cross-border mail** amounted to around €10 billion in the economically troubled 2003. With a market share of 11.8%, we occupy the number two position. Only the United States Postal Service (USPS) has a larger share at 13.8%. However, as a purely national postal company, they have no plans for internationalization and are competitors only in their home market. Other significant competitors who are globally active have market shares of between 6% and 9%, as shown in the diagram below.

Please note:
As the competitors' figures for the year under review had not been published in some cases by March 1, 2005 (editorial deadline), we have used figures from 2003 in the market analysis on pages 44 to 48.

Global cross-border mail market in 2003
Market volume: €10.3 billion



Source: UPU Statistics 2003, Deutsche Post World Net Annual Report, competitors' annual reports and websites

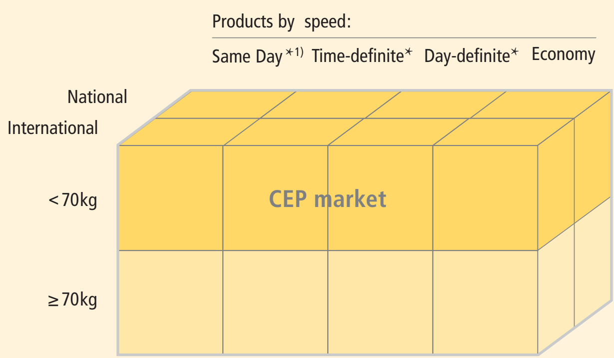
CEP markets record growth in cross-border transport

To enhance comparability, we developed a new market segmentation model in the year under review. It covers the three dimensions of speed, reach and weight, as shown in the first diagram at the bottom of this page. The courier, express and parcel (CEP) market now covers all national and international express and standard shipments weighing less than 70kg, excluding letters. This complies with standard international weight limits.

Developments on the CEP markets are closely correlated with economic growth in the countries concerned. This meant that the major economic regions developed differently in the year under review:

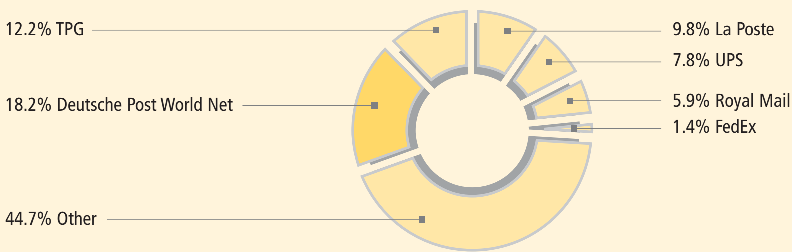
In **Europe's** mature CEP markets – including Germany, Italy, France and the Netherlands – standard products recorded a drop in volume at national level in the year under review. An important reason for this was the trend for companies to increasingly outsource production abroad. Weak domestic demand continued to make itself felt in Germany, where the critical situation at mail order companies put additional pressure on the business-to-consumer* parcel market. The Internet and auction business continued to develop positively. The same also applies to cross-border transports in Europe; both the eastward expansion of the EU and the relocation of production and distribution* abroad provided positive stimuli. We were able to expand our leading position in fiscal year 2003 with a market share of 18.2%, as can be seen from the lower diagram on this page.

CEP market segmentation model



1) Includes all shipments that are collected and delivered on the same day, not counting cycle couriers and transport providers who are only active locally

European CEP market 2003
Market volume[1]: €30.2 billion



1) Includes the following countries: Germany, United Kingdom, France, Netherlands, Italy and Spain. The diagram refers to these core countries. For Europe as a whole (15 EU countries plus Norway and Switzerland) the market volume amounts to €36.2 billion.

Source: Market Research Service Center in association with GfK 2004

* These terms are explained in the Glossary

As the **US** economy was also on a growth path in the past year, overall revenue rose slightly for national and strongly for international CEP products. We were, including Airborne Inc., the fourth-largest provider in this key market in 2003 (see left-hand diagram at the bottom of this page). In America's international CEP market, we are in second place, as the right-hand diagram shows.

In the **Asia/Pacific** region[1)], the markets for all CEP products recorded strong growth. In particular, demand rose for high-margin heavy shipments. There was lively export activity from the countries in this region to Europe and the USA. This was not only a growth driver for cross-border shipments, but also an important source of income. Significant inflows of funds boosted both private consumer confidence and investment confidence on the part of domestic and international companies. Consequently, shipments within Asia are gaining importance.

In 2003, the overall CEP market for the Asia/Pacific region recorded revenues of around €56 billion. Unlike the previous year, for the first time we are looking not only at the relevant market at the moment, but also at the entire potential market. In addition to the international express segment – where we were market leader in the key country of China in 2003 – the domestic express sector is now also gaining importance for us. We were able to improve our position noticeably here: in India through the acquisition of Blue Dart and in New Zealand through the cooperation with New Zealand Post.

CEP products also recorded good overall development in the **emerging markets,** where heavy shipments in particular again played an important role. Individual regions such as the Middle East were able to derive significant economic benefit from the high income from oil.

Logistics subject to high levels of consolidation

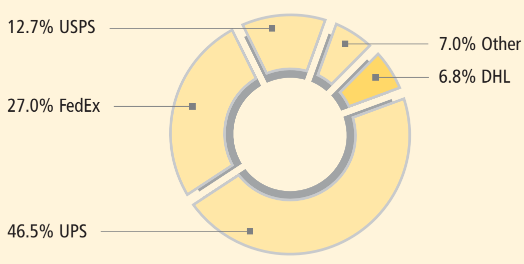
The process of consolidation in the highly fragmented international logistics market continued in 2004: a prominent example in contract logistics* was Exel's takeover of Tibbett & Britten while, among the freight carriers*, a merger took place between Air France and KLM.

After the substantial overcapacities seen in the **air freight** market in 2003, the year under review saw a turn in the tide. Customer demand increased, leading to capacity bottlenecks, particularly in Asia. As a result, rates for the affected routes rose as against the previous year. Fuel surcharges, too, increased due to the oil price. On the whole, the transported volumes are likely to have increased significantly.

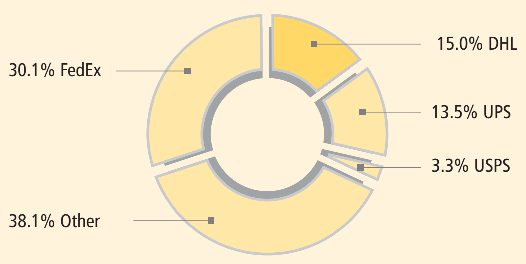
[1)] Comprising Hong Kong, South Korea, China, Japan, India, Australia, New Zealand, Singapore and Taiwan

* These terms are explained in the Glossary

US CEP market 2003
Market volume: €50.5 billion



US international CEP market 2003
Market volume: €4.07 billion



Source: Market Research Service Center in association with Colography Group 2004

The international market for air freight – measured in terms of the revenue determined by IATA* – amounted to €22.1 billion in 2003. We have succeeded in maintaining our leadership, as the following table shows.

Market shares in air freight Market volume: €22.1 billion in %	2003
DHL Danzas Air & Ocean	**6.4**
Nippon Express	5.3
Exel	4.7
Kühne & Nagel	3.5
Schenker	3.2
BAX Global	3.1
Kintetsu	2.9
Panalpina (excluding ASB)	2.7

Source: IATA/CASS, company estimates

Global container traffic grew strongly in the year under review, with traffic volumes from Asia demonstrating the largest growth, as in the previous year. In the course of globalization, China in particular is experiencing a veritable boom. It is one of the countries being targeted by companies that are gradually relocating production with the aim of reducing costs and penetrating rapidly growing new markets at the same time.

In **ocean freight,** rates in the year under review remained stable at their previous high level or increased further, as in the case of routes out of Asia. Various operating effects in the fourth quarter managed to compensate for the continuing pressure that the weak dollar is exerting on freight rates in Europe. Freight costs increased in particular because of additional security measures and the corresponding surcharges.

Container shipping transport volumes in 2003 amounted to around 66 million TEUs. In our estimation, about one quarter of the ocean freight market is controlled by freight forwarders. We were able to defend our position as number two in the market segment, as the following table shows. Indeed, we are market leader in the less-than-container-load (LCL*) segment.

Market shares in ocean freight Market volume for forwarding: €17.2 million TEUs[1)] in %	2003
Kühne & Nagel	7.3
DHL Danzas Air & Ocean	**5.5**
Schenker	4.1
Panalpina	4.0
Exel	2.9

1) Twenty-foot equivalent units

Source: Global Insight Trade Databank, annual reports/publications, company estimates

* These terms are explained in the Glossary

The global market volume for **contract logistics** in 2003 was estimated at €148 billion. Two factors are of decisive importance to growth: companies that outsource their logistics to specialized service providers not only realize cost advantages, but also give themselves scope for development and can concentrate their efforts on their own core competencies. Outsourced logistics thus benefit our customers by offering more competitive cost structures and improved value added.

The market for contract logistics is fragmented: even the larger international service providers have only a relatively small market share, as the following table shows. In addition, there are numerous small providers that specialize in particular regions and/or types of content. Increasingly, companies are concentrating their choice of contract logistics partners on a small number of internationally focused providers.

Market shares in contract logistics Market volume: €148 billion in %	**2003**
Exel	2.7
TNT Logistics	2.5
Tibbett & Britten	1.6
Penske Logistik	1.3
Thiel	1.2
DHL Solutions	**1.1**
Ryder	1.0
Wincanton	1.0

Source: annual reports, Transport Intelligence

German banking market remains hard-fought

In a continued difficult market environment, German banks were financially better positioned in 2004 compared to the previous year – they reduced their costs and, in part, were also able to improve their earnings. However, in general German banks are trailing their European competitors in profitability and in efficiency due to heavy market fragmentation and the existence of significant overcapacities, particularly in retail banking. This is a highly competitive segment, made more so by the major banks' renewed interest in private customer business following a spate of corporate insolvencies. A stable trend with ongoing earnings potential continues to be business process outsourcing: for example, the technical processing of banking services, known as transaction banking, is increasingly being transferred to specialized institutions.

In the year under review, Postbank was the leading single institution in the German retail banking market with 12.1 million customers and customer deposits of €71.7 billion. Its market share in terms of market penetration amounted to 9.2% in 2003. According to calculations based on Bundesbank statistics, it had a 5.1% share of the deposit business in 2004, while its share of private checking accounts was 6.3%. Postbank is a leading provider of domestic payment transaction services for corporate customers. Its share of the market for transaction banking increased in 2004 from 6% to 16% after it took over payment transactions for Dresdner Bank and Deutsche Bank.

Business Developments

Positive revenue and earnings development

The business structure of Deutsche Postbank group (Postbank) differs substantially from the business of the other companies in the Group. For this reason, the following discussion explains key figures for the Group as well as key figures based on the "Postbank at equity" financial statements. Postbank is accounted for in these financial statements as a financial investment carried at equity. Further details relating to the "Postbank at equity" scenario can be found under item 53 in the notes to the consolidated financial statements.

Selected indicators for results of operations		Deutsche Post World Net Jan. 1 to Dec. 31, 2003	Deutsche Post World Net Jan. 1 to Dec. 31, 2004	Deutsche Post World Net Postbank at equity Jan. 1 to Dec. 31, 2003	Deutsche Post World Net Postbank at equity Jan. 1 to Dec. 31, 2004
Return on sales (based on EBITA)	in %	7.4	7.8	7.2	7.2
Profit from operating activities before goodwill amortization (EBITA)	in €m	2,975	3,347	2,451	2,677
Profit from ordinary activities	in €m	1,915	2,156	1,770	1,859
Staff costs ratio	in %	33.3	31.8	37.6	35.2
Return on equity (RoE) before taxes	in %	34.2	32.4	31.6	27.9
Income tax expense	in €m	573	431	429	227
Tax rate	in %	29.9	20.0	24.2	12.2
Net profit for the period before minority interest	in €m	1,342	1,725	1,341	1,632
Consolidated net profit	in €m	1,309	1,588	1,309	1,588
Earnings per share	in €	1.18	1.43	1.18	1.43

Fiscal year 2004 continued the positive development of the previous years. We were able to achieve substantial growth in both revenue and earnings compared with 2003. Group **revenue** rose by 7.9% to €43,168 million (previous year: €40,017 million). Growth was impacted by negative currency effects, which amounted to €668 million. Acquisitions amounting to €2,460 million contributed 6.1% of revenue. The share of consolidated revenue generated outside Germany rose once again, from 43.2% to 47.7%. This was mainly attributable to the initial full-year consolidation of Airborne Inc.

In the "Postbank at equity" scenario, we increased revenue in total by 10.3% to €37,387 million (previous year: €33,907 million). This reflects our successful globalization strategy in the MAIL, EXPRESS and LOGISTICS Corporate Divisions.

The Group achieved growth of 13.5% in **other operating income** to €1,365 million (previous year: €1,203 million). The principal factors were the €219 million rise in Postbank's net income from investment securities and net income from Postbank's IPO amounting to €75 million.

In total we placed approximately 33% of Deutsche Postbank AG's shares on the stock market at an issue price of €28.50. Since June 23, 2004, the shares have been traded on all German stock exchanges. We have therefore successfully completed the largest IPO in Germany since the year 2000. As part of the process, we responded to the difficult market environment with an innovative transaction structure. We combined the public share offering with an exchangeable bond on Postbank shares. Both the shares and the bond were placed successfully, with Deutsche Post generating total proceeds of around €2.6 billion from this transaction.

Operating expenses before goodwill amortization increased by 7.7% year-on-year to €41,186 million (previous year: €38,245 million). The rise was principally the result of a marked increase in materials expenses to €20,546 million, which exceeded the prior-year figure of €18,466 million by 11.3%. There were two main reasons for this: initial full-year consolidation of companies acquired and rises in fuel and transport costs. As a result of acquisitions, staff costs also rose, from €13,329 million to €13,744 million, by 3.1%. The ratio of staff costs to revenue for the Group as a whole fell from 33.3% to 31.8%. Depreciation and amortization (excluding goodwill amortization) increased by 4.2% to €1,451 million (previous year: €1,392 million) and other operating expenses grew by 7.7% in total to €5,445 million (previous year: €5,058 million). Both were mainly the result of the expansion of the consolidated group.

Profit from operating activities before goodwill amortization (EBITA) for the Group recorded encouraging growth. Thanks to healthy business development in the LOGISTICS and FINANCIAL SERVICES Corporate Divisions in particular, it rose 12.5% to €3,347 million (previous year: €2,975 million). Currency effects led to EBITA growth of €47 million.

Our original forecast was for an increase in EBITA in the 5-10% range; during the year, we revised the range upwards to 7.5-12.5%. This was due to the net income from Postbank's IPO. The **return on sales** based on EBITA improved from 7.4% to 7.8%.

Profit from operating activities before goodwill amortization (EBITA) in the "Postbank at equity" scenario amounted to €2,677 million in the year under review (previous year: €2,451 million), while the return on sales remained on a par with the previous year at 7.2%.

Goodwill amortization in the year under review was €370 million (previous year: €319 million). The increase was largely the result of the acquisition of Airborne Inc. in the previous year. From 2005 on, goodwill will no longer be amortized. As before, impairment tests are required to be carried out at least once a year.

Profit from operating activities (EBIT) improved by 12.1% to €2,977 million (previous year: €2,656 million).

Net finance costs totaled €821 million (previous year: €741 million) in the period under review. The deterioration can be attributed mainly to a 15.7% change in net other finance costs to €825 million (previous year: €713 million). Since 2003, this item has contained the interest cost on provisions for pensions and other interest-bearing provisions. In the year under review, this amount rose by €59 million to €637 million and was therefore the main reason for the deterioration in net finance costs. Net finance costs also increased due to write-downs of financial assets and financial instruments of €22 million. Net income from associates amounted to €4 million (previous year: €–28 million); the prior-year figure included losses on the sale of the interest in DHL Airways.

Profit from ordinary activities increased by 12.6% to €2,156 million (previous year: €1,915 million) reflecting the healthy development of the Group's operating business.

The tax rate fell from 29.9% in the previous year to 20.0% for the year under review. This reduction is mainly because we were able to reduce the provision for additional taxes from tax audits.

Net profit for the period amounted to €1,725 million, a 28.5% improvement over the previous year's figure of €1,342 million. The loss attributable to **minority interests** was impacted in particular by Postbank's IPO and increased to €137 million (previous year: €33 million).

Consolidated net profit for the period amounted to €1,588 million, an impressive 21.3% improvement over the previous year's figure of €1,309 million. **Earnings per share** improved accordingly by 21.2%, from €1.18 in the previous year to €1.43.

The Board of Management would like to allow shareholders to participate in this positive outcome and therefore intends to propose a **dividend** of €0.50 per share at the Annual General Meeting. This corresponds to a total dividend of €556 million, and an increase of 13.6%.

MAIL maintains strong earnings performance

MAIL Corporate Division		2003[1]	2004	Change in %
Total revenue	in €m	12,495	12,747	2.0
Profit from operating activities before goodwill amortization (EBITA)	in €m	2,082	2,085	0.1
Return on sales[2]	in %	16.7	16.4	

1) Prior-period amounts restated due to restructuring of Mail International Business Division and other product portfolio optimization measures
2) EBITA/revenue

On August 1, 2003, we reorganized our international mail activities and bundled them into the Mail International Business Division within the MAIL Corporate Division. They include the revenue of the Global Mail Business Division, which previously fell under the EXPRESS Corporate Division. In order to allow comparison between the year under review and the previous year, we have restated the prior-year figures accordingly.

In 2004, we pushed ahead successfully with our internationalization strategy in the MAIL Corporate Division. As a result of our acquisitions in the United Kingdom, the Netherlands and in particular the USA, we were able to achieve an overall increase in **revenue** of 2.0% to €12,747 million (previous year: €12,495 million). This growth in revenue was also helped by our very successful direct marketing business. 48.8% of our revenue is already generated from activities outside our exclusive license*.

Revenue by business division in €m	2003[1]	2004	Change in %
Mail Communication	6,904	6,780	–1.8
Direct Marketing	2,704	2,820	4.3
Press Distribution	799	797	–0.3
Mail International/Value Added Services	1,531	1,699	11.0
Internal revenue	557	651	16.9
Total	**12,495**	**12,747**	**2.0**

1) Prior-period amounts restated due to restructuring of Mail International Business Division and other product portfolio optimization measures

* These terms are explained in the Glossary

The largest contributor to revenue continued to be the **Mail Communication** Business Division, even though revenue at €6,780 million was 1.8% below the previous year's figure of €6,904 million. The main reason for the fall in revenue was a one-time effect in the previous year estimated at around €80 million. As a result of the price cuts we announced in 2002 for the beginning of 2003, business customers postponed some mailings from the end of 2002 to the start of 2003.

The weak domestic economy in the fiscal year forced a decline in sales on us in the business customer segment, and at the same time we lost market share to competitors. The extent to which letters were substituted by electronic communication media such as e-mail and text messaging remained moderate overall.

Sales to private customers stabilized at the previous year's level thanks to sales promotion activities.

Mail Communication (Deutsche Post AG share) mail items (millions)	2003[1]	2004	Change in %
Business customer letters	7,713	7,515	–2.6
Private customer letters	1,463	1,459	–0.3
Total	**9,176**	**8,974**	**–2.2**

1) Prior-period amounts restated due to restructuring of Mail International Business Division and other product portfolio optimization measures

The **Direct Marketing** Business Division is continuing its successful development. Revenue rose by 4.3% to €2,820 million (previous year: €2,704 million). We were able to increase sales of most products substantially, thanks to the effectiveness of our sales organization.

Direct Marketing (Deutsche Post AG share) mail items (millions)	2003[1]	2004	Change in %
Infopost/Infobrief (addressed advertising mail)	6,632	6,870	3.6
Postwurfsendung/Postwurf Spezial (unaddressed/partly addressed advertising mail)	3,473	3,846	10.7
Total	**10,105**	**10,716**	**6.0**

1) Prior-period amounts restated due to restructuring of Mail International Business Division and other product portfolio optimization measures

In the **Press Distribution** Business Division, we were able to maintain our revenue in a market showing a slight decline. Volumes, on the other hand, fell by around 2%, and amounted to 2,125 million items in the year under review.

In the **Mail International** Business Division, growth in revenue was mainly attributable to the integrated acquisitions in the United Kingdom, the Netherlands and the USA. Together with the **Value Added Services** Business Division, it recorded revenue amounting to €1,699 million (previous year: €1,531 million).

The one-time effect on revenue in the Mail Communication Business Division described above was reflected in earnings. Increases in the other business divisions, however, were able to compensate for this, so that the **profit from operating activities before goodwill amortization** (EBITA) actually rose slightly in comparison with the restated prior-year figure to €2,085 million (previous year: €2,082 million). We had expected EBITA to be on a par with the previous year's reported figure of €2,036 million. In the event, it exceeded this amount by 2.4%.

Our **return on sales** of 16.4% (previous year: 16.7%) again reached the high level we sought to achieve.

EXPRESS records revenue growth

EXPRESS Corporate Division		2003[1]	2004	Change in %
Total revenue	in €m	15,293	17,792	16.3
Profit from operating activities before goodwill amortization (EBITA)	in €m	365	367	0.5
Return on sales[2]	in %	2.4	2.1	

[1] Prior-period amounts restated due to restructuring of Mail International Business Division and other product portfolio optimization measures
[2] EBITA/revenue

Since August 1, 2003, we have reported our international mail services under the MAIL Corporate Division, and have restated the prior-year figures accordingly.

Total revenue for the EXPRESS Corporate Division increased by 16.3%, or €2,499 million, to €17,792 million in 2004 (previous year: €15,293 million). Acquisitions made the largest contribution, at €2,133 million. Particularly notable here is the acquisition of Airborne Inc. in 2003; we also fully consolidated several companies in the Asia/Pacific region for the first time. All regions recorded operational growth. However, negative currency effects, mainly in the Americas region, reduced revenue by €515 million.

Revenue by region in €m	2003[1]	2004	Change in %
Europe	11,165	11,645	4.3
Americas	2,844	4,327	52.1
Asia/Pacific	1,572	1,967	25.1
Emerging Markets (EMA)	750	900	20.0
Reconciliation	–1,038	–1,047	–0.9
Total	**15,293**	**17,792**	**16.3**

[1] Prior-period amounts restated due to restructuring of Mail International Business Division, other product portfolio optimization measures and break-down by region of revenue generated through third parties

Revenue in the **Europe** region grew by 4.3% to €11,645 million (previous year: €11,165 million). The majority of subregions generated positive growth rates, in particular the Iberian peninsula, Scandinavia, the Benelux countries, and the UK and Ireland. These positive developments were largely a result of strong international business growth. In the United Kingdom, the full consolidation of Securicor Omega Holdings Ltd. on July 1, 2003, led to additional external revenue growth. The sale of Danzas Chemicals in the Benelux countries in April in the year under review had a negative effect on revenue. We generated growth in Germany because we increased prices in the domestic business and recorded significant volume growth in imports and exports.

In the **Americas** region, the full effect of the acquisition of Airborne Inc. in the previous year was reflected for the first time in the year under review. Year-on-year revenue increased substantially from €2,844 million to €4,327 million, largely as a result of this. The total increase in revenue from acquisitions amounted to €1,727 million. Negative currency effects reduced revenue by €381 million.

The Americas region generated a loss from operating activities of €495 million. Although we recorded the first beneficial effects of the integration of Airborne Inc., the operating results fell considerably short of our expectations. We intend to further improve our product offering, infrastructure, brand awareness and our service quality. For this reason we resolved additional expenses and investments in 2004. In addition, integration costs reduced earnings by €142 million.

Revenue in the **Asia/Pacific** region increased by 25.1% to €1,967 million in 2004 (previous year: €1,572 million). All subregions generated good operating revenue growth. Revenue also increased due to consolidation effects of €210 million. These effects can largely be traced back to the first-time full consolidation of DHL Sinotrans Express Limited, China, and DHL Korea Limited, Korea, as of January 1, 2004. Negative exchange rate effects, which amounted to €115 million, also had an impact.

The **Emerging Markets (EMA)** region recorded a 20.0% increase in revenue to €900 million in the period under review (previous year: €750 million). We profited from an increase in the volumes transported in the Gulf and positive developments in Eastern European countries, particularly in Russia.

Overall, the corporate division generated a **profit from operating activities before goodwill amortization (EBITA)** in the period under review of €367 million. This was equivalent to a rise of 0.5% over the adjusted prior-year figure of €365 million. In September of the year under review, we announced that, contrary to our original expectations, EBITA would not increase year-on-year by a minimum of 20% for 2004 as a whole, but would actually fall by a maximum of 20%. In the event, EBITA fell by 10.0% compared with the €408 million that we reported in our 2003 Annual Report.

The **return on sales** for the express business outside the Americas region was 6.4%, and for the corporate division as a whole, 2.1%.

LOGISTICS improves revenue and profit

LOGISTICS Corporate Division		2003	2004	Change in %
Total revenue	in €m	5,878	6,786	15.4
Profit from operating activities before goodwill amortization (EBITA)	in €m	206	281	36.4
Return on sales [1]	in %	3.5	4.1	

[1] EBITA/revenue

The LOGISTICS Corporate Division increased **revenue** in 2004 by 15.4% to €6,786 million (previous year: €5,878 million). Both business divisions showed substantial operating growth. The increase in revenue attributable to acquisitions amounted to €105 million, while negative currency effects impacted revenue by €141 million.

Revenue by business division in €m	2003	2004	Change in %
DHL Danzas Air & Ocean	4,246	4,990	17.5
DHL Solutions	1,640	1,803	9.9
Reconciliation	–8	–7	12.0
Total	**5,878**	**6,786**	**15.4**

The **DHL Danzas Air & Ocean** Business Division reported growth in revenue for the year under review of 17.5% to €4,990 million (previous year: €4,246 million), to which all regions contributed. Acquisitions were also a positive factor; for example, on July 15, 2003, we increased our shareholding in Corporación Cormar S.A. in Costa Rica to 100%. The positive effects of acquisitions, however, were completely cancelled out by negative exchange rate effects.

Both air and ocean freight experienced a rise in transport volumes. In air freight, we recorded double-digit growth in terms of the weight of shipments handled, as compared to the previous year. The average weight of shipments also increased, which led to an improvement in profitability. In ocean freight, volume measured in TEUs* again grew by a similar amount as in the previous year, and so also showed a double-digit rate of increase. Overall, our margins have stabilized.

Revenue increased by 9.9% to €1,803 million in the **DHL Solutions** Business Division (previous year: €1,640 million). Almost all market regions contributed to this; the business division benefited from price and volume increases above all in Central and Northern Europe. The electronics/telecommunications and fast moving consumer goods* sectors in particular provided a stimulus for growth. New business in the USA, France and Germany led to increases in volumes.

DHL Solutions: revenue by sector in €m	2003	2004	Change in %
Automotive	80	87	8.8
Pharma/healthcare	71	66	–7.0
Electronics/telecommunications	618	738	19.4
Fast moving consumer goods	575	615	7.0
Textiles/fashion	239	241	0.8
Other	57	56	–1.8
Total	**1,640**	**1,803**	**9.9**

Favorable development in revenue allowed the LOGISTICS Corporate Division to record a significant improvement in earnings in 2004. The **profit from operating activities before goodwill amortization (EBITA)** increased by 36.4% to €281 million (previous year: €206 million). As a result of extremely positive developments in the period under review, we had increased our profit forecast during the year. Instead of an improvement of at least 10% on the previous year, we expected growth of at least 25%. In fact, even this expectation has been exceeded.

The **return on sales** rose as a consequence by 0.6 percentage points to 4.1% (previous year: 3.5%).

* These terms are explained in the Glossary

FINANCIAL SERVICES with a strong operating performance from Postbank

FINANCIAL SERVICES Corporate Division		2003	2004	Change in %
Income [1]	in €m	7,661	7,349	– 4.1
Profit from operating activities before goodwill amortization (EBITA)	in €m	568	692	21.8
Cost/income ratio [2]	in %	76.1	70.8	
Return on equity (RoE) before taxes [2]	in %	10.7	13.7	
Tier 1 ratio [2] [3]	in %	8.3	8.5 [4]	

1) Prior-period amount restated due to product portfolio optimization measures
2) Postbank
3) Figure at end of reporting period
4) According to the standards of the Bank for International Settlements (BIS)

The FINANCIAL SERVICES Corporate Division consists mainly of Postbank. In addition, we report our Retail Outlet Group and the Pension Service in this corporate division.

The corporate division generated **income** of €7,349 million in 2004 (previous year: €7,661 million). Income from banking transactions comprises gross income from interest, fees and commissions, and trading transactions; it is equivalent to an industrial company's revenue. The main reason for the decline was Postbank's interest income, which fell as a result of the continued drop in interest rates.

The corporate division's **profit from operating activities before goodwill amortization (EBITA)** rose in fiscal 2004 by 21.8% year-on-year to €692 million (previous year: €568 million). This encouraging development was principally due to Postbank's strong operating performance.

In the period under review, Postbank was able to increase its total income (net interest income, net trading income, net income from investment securities and net fee and commission income) by a substantial 12.4% to €2,674 million (previous year: €2,378 million).

Income from recognized assets, i.e. the total of net interest income, net trading income and net income from investment securities, rose in the year under review by 7.9% to €2,062 million (previous year: €1,911 million). The renewed drop in interest rates led to a change in the structure of this item: net interest income declined by 5.2% to €1,567 million; net trading income rose by 8.2% to €198 million, and net income from investment securities also increased from €75 million to €297 million.

Net fee and commission income developed particularly well, rising by 31.0% over the previous year to €612 million. We were able to achieve further growth in sales especially for products with a high consulting and advisory content and, for the first time, to provide services for other banks in the new Transaction Banking Business Division. At the beginning of May, we took over the handling of all payment transactions for Dresdner Bank. On July 1, Deutsche Bank transferred the processing of all domestic, and some foreign, payment transactions to us.

The **allowance for losses on loans and advances** for the credit business rose by 20.1% over the prior year to €185 million. This increase was largely in line with the rate of growth in customer credits.

Administrative expenses increased by 4.6% to €1,893 million. Although we achieved further improvements in our efficiency, additional costs arose from taking over the payment transaction divisions of Dresdner Bank and Deutsche Bank. Net other income and expenses showed a decline to only €28 million in the year under review (previous year: €82 million) as a result of one-time effects in 2003. In fiscal 2003, we had reversed a provision that was no longer required.

Postbank's **return on equity** (RoE) before taxes rose year-on-year from 10.7% to 13.7%. The **cost/income ratio** also improved, with a significant decrease from 76.1% to 68.7% in traditional banking transactions. Including our Transaction Banking activities, the ratio amounted to 70.8%.

Postbank's **tier 1 ratio** was calculated according to the standards laid down by the Bank for International Settlements (BIS) for the first time. The figure calculated in this way amounted to 8.5% for 2004 compared with the prior-year figure of 8.3%, which is based on adjusted internal calculations.

Deutsche Postbank AG publishes its own annual report, which describes the development of its business in 2004 in detail.

STAR continues successful development

Measures taken as part of our integration and value creation program made a contribution to earnings of €439 million in the fiscal year. During the year, we had increased our forecast of the cumulative earnings attributable to STAR since the start of the program in November 2002 by €100 million to at least €800 million. In fact, we had actually achieved €862 million by the year-end.

Investment in infrastructure

The Group's capital expenditure amounted to a cumulative total at December 2004 of €1,718 million, around 20% higher than the corresponding figure for the previous year. To a large extent, this was accounted for by the development of our network structures.

Capital expenditure (capex): investments in property, plant and equipment and intangible assets (excluding goodwill).

In the MAIL Corporate Division, for example, we invested in particular in vehicles and technical equipment. The EXPRESS Corporate Division saw the expansion of our transshipment facilities and the data center in Prague, as well as of our vehicle fleet. We also pushed ahead with the integration of Airborne Inc. in the USA. In the LOGISTICS Corporate Division, we invested primarily in multi-user warehouses*, as well as maintaining and improving our production facilities. The FINANCIAL SERVICES Corporate Division expanded and modernized its IT systems.

Investments in companies fell by 41.8% to €793 million, since in the period under review they consisted only of a number of smaller acquisitions and increases in shareholdings.

Outstanding DHL brand management

We had already begun relaunching the DHL brand at an international level in 2003. We continued these measures in the year under review, with the aim of establishing customer awareness of DHL's new strategic orientation. In a record time of less than 24 months, we prepared all buildings, vehicles and other equipment for the new launch of the brand. The advertising campaign was conducted nationally and internationally under the tried and tested concept "more", an idea which highlights the increased benefits to customers resulting from the brand relaunch; the focus was on more international connections, more reliability and more speed.

DHL won the renowned "Superbrands" award in several countries in 2004 for its outstanding brand management.

* These terms are explained in the Glossary

Net assets and financial position further strengthened

The main factors affecting the Group's financial position were the IPO of Deutsche Postbank AG and the issue at the same time of an exchangeable bond on Postbank shares. Total proceeds of around €2.6 billion accrued to the Group as a result.

In addition, further companies were acquired and fully consolidated for the first time, which led to an expansion of our consolidated group. For example, we consolidated SmartMail Holdings LLC (SmartMail) with effect from May 28, 2004. On June 28, 2004, we acquired selected assets and liabilities of QuikPak Inc. (QuikPak) in the course of an asset deal and incorporated them into SmartMail.

Asset deal:
a business combination through the acquisition of individual assets, rather than equity interests.

The following illustration of net assets and financial position relates to the consolidated balance sheet. An analysis of the most important figures relating to "Postbank at equity" can be found beginning on page 60.

Total assets at the end of the year under review amounted to €153,357 million. The fall of 1.0% is mainly due to the lower figure for receivables and other securities from financial services, which form part of current assets.

Total **noncurrent assets** remained almost unchanged. While property, plant and equipment fell by 4.3% to €8,439 million as a result of sales of real estate and lower investments in technical equipment and machinery, intangible assets recorded an increase of 6.9% to €6,846 million. Major reasons behind the rise were goodwill relating to newly consolidated companies and the intangible assets of SmartMail we acquired in the fiscal year.

The **carrying amount** of internally generated intangible assets also rose, by 43.9% to €495 million (previous year: €344 million). €139 million of this addition to the internally generated intangible assets was attributable to Deutsche Post AG and referred to various accounting systems, among other things.

Current assets decreased slightly by 1.1% from €138,060 million to €136,565 million. The decrease relates mainly to the operating business of Postbank, reflected in receivables and other securities from financial services. This item fell by 3.0% to €125,009 million (previous year: €128,928 million). More detailed information on this can be found in the annual report of Deutsche Postbank AG. Receivables and other assets also changed, rising by 14.8% to €6,297 million (previous year: €5,484 million). Our international business continued to expand with the acquisitions of SmartMail and QuikPak in the USA, and Speedmail in the United Kingdom. This had an impact on receivables, which rose in the year under review by €298 million to €3,788 million.

Deutsche Post World Net hedges currency and interest rate risks, as well as fuel prices, with derivative financial instruments. The fair value of these derivatives increased by €164 million. Receivables from taxes and social security contributions grew by €203 million. Overall, other assets increased by 25.8% to €2,509 million (previous year: €1,994 million). Cash and cash equivalents rose by 44.4% to €4,845 million (previous year: €3,355 million). This was due to net cash inflows from operations and the net proceeds from Postbank's IPO.

Deferred tax assets fell in total by 16.6% to €764 million (previous year: €916 million). As part of this, deferred tax assets relating to tax loss carryforwards declined by €46 million as a result of the reduction in loss carryforwards at Deutsche Post AG and Deutsche Postbank AG. Deferred tax assets from temporary differences also fell, by €106 million.

Equity was substantially strengthened by the consolidated net profit for the period of €1,588 million. It was reduced by the amount of the dividend payment of €490 million for fiscal year 2003. At the balance sheet date, equity was 18.2% higher at €7,217 million (previous year: €6,106 million).

The **equity ratio** rose accordingly to 4.7% (previous year: 3.9%). Overall, the Group continues to enjoy a very sound equity structure. The return on equity (RoE) before taxes amounted to 32.4% compared with 34.2% in the previous year. In respect of "Postbank at equity" – i.e. without the banking operations – the equity ratio was 24.4% (previous year: 21.9%) and the return on equity before taxes was 27.9% (previous year: 31.6%).

The **ratio of equity to fixed assets** rose from 38.3% to 45.0% for the Group and from 31.0% to 40.0% for the "Postbank at equity" scenario. With respect to the latter, the carrying amount of the investment in Postbank is reported under noncurrent financial assets. For that reason, the ratio is lower than the value for the Group. The Group figure is more suitable for comparative sector analyses.

Minority interest changed considerably, rising from €59 million to €1,611 million. Postbank's IPO reduced the Group's shareholding in Postbank from 100% to 66.8%. 33.2% of Postbank's equity is now shown in the consolidated financial statements under minority interest.

Provisions showed a slight overall decline of 1.8% to €12,439 million (previous year: €12,673 million). Provisions for pensions and other employee benefits – the most significant classification of provisions – fell by 7.4% to €5,882 million (previous year: €6,351 million). In addition, €278 million of the STAR restructuring provision, established in 2002, was utilized in the year under review. Other provisions rose slightly by 2.8% to €4,965 million (previous year: €4,831 million).

Liabilities fell in total by 2.9% to €132,090 million (previous year: €136,095 million). This was principally due to the largest individual item, liabilities from financial services, which fell by 5.1% to €117,026 million (previous year: €123,317 million). A detailed commentary can be found in the annual report of Deutsche Postbank AG. Group financial liabilities rose by €491 million to €5,240 million. The increase was attributable in particular to the exchangeable bond on Postbank shares with an amount of €1,056 million, which we issued in the context of Postbank's IPO. The increase was partially offset by repurchases of bonds with an amount of €269 million at their market price. Financial liabilities are listed by maturity under item 40 of the notes to the consolidated financial statements. Trade payables rose by 19.2% to €3,285 million (previous year: €2,755 million). Other liabilities also increased, namely by 24.0% from €5,274 million to €6,539 million. The rise is due in particular to Postbank's subordinated debt, which was €1,085 million higher at €2,808 million.

Subordinated debt:
debt on the balance sheet of a bank which is available in the long term.

As of December 31, 2004, we had bank credit lines of around €4.1 billion at our disposal. Together with its cash and cash equivalents, the Group has sufficient funds to finance the further expansion of business operations.

A detailed commentary on our financial strength and the cash flow statement is presented in item 44 of the notes to the consolidated financial statements.

Selected indicators for the “Postbank at equity” scenario

The “Postbank at equity” scenario is used for the analysis of the following key balance sheet figures, since the operating business of Postbank differs fundamentally from that of the other units in the Group.

The Group generated proceeds amounting to approximately €1.6 billion from Postbank’s IPO. This was the main reason for the fall in **net debt** from €2,044 million to €–32 million, as can be seen from the following table. Net debt comprises financial liabilities less the total of cash and cash equivalents, current financial instruments and long-term deposits amounting to €352 million. **Net gearing** declined accordingly from 25.1% to –0.4%. This ratio expresses net debt as a proportion of the total of equity and net debt. Net debt adjusted for lease obligations is calculated by adding discounted minimum future lease payments to the net debt figure. In the year under review, this figure was down 40.5% at €3,527 million. Discounted minimum future lease payments fell from €3,884 million to €3,559 million. The changes in these indicators demonstrate the fact that we have achieved a significant reduction in our indebtedness.

Selected indicators for net assets and financial position (Postbank at equity)		2003	2004
Equity ratio	in %	21.9	24.4
Ratio of equity to fixed assets	in %	31.0	40.0
Net debt	in €m	2,044	–32
Net debt adjusted for leases	in €m	5,928	3,527
Net gearing	in %	25.1	–0.4
Net interest cover		18.1	10.6
Dynamic gearing	in years	0.8	0.0

For the first time, we are including the **dynamic gearing** ratio in this report. This figure shows the average number of years a company requires in order to repay its debts, on the assumption that the full amount of operating cash flows generated in the year under review is used for this purpose. As of December 31, 2003, the dynamic gearing ratio was 0.8; it improved to 0 as of December 31, 2004. The reason for this decrease is the marked improvement in net debt described above. A dynamic gearing ratio of less than three is considered to be a positive indication of a company’s financial stability.

The **net interest cover** of 10.6 indicates that the profit from operating activities before interest and taxes (EBIT) exceeds net interest payment liabilities by a factor of 10.6. This indicator was down from the previous year’s value of 18.1 as a result of higher interest payments.

Changes in our balance sheet structure relate in the main to two items, as the table on the next page shows. The proportion of noncurrent financial assets at December 31, 2004, was only 13.1% compared with 20.0% last year. The decrease in this item was due to Postbank’s IPO. For the same reason, the proportion of cash and cash equivalents including current financial instruments rose from 8.6% to 16.8%.

Balance sheet structure (Postbank at equity)	Dec. 31, 2003 in €m	Dec. 31, 2003 in %	Dec. 31, 2004 in €m	Dec. 31, 2004 in %
Assets				
Intangible assets	6,236	22.3	6,677	22.5
Property, plant and equipment	7,857	28.1	7,513	25.4
Noncurrent financial assets	5,579	20.0	3,869	13.1
Total noncurrent assets	**19,672**	**70.4**	**18,059**	**61.0**
Inventories	215	0.8	224	0.8
Trade receivables	3,531	12.6	3,895	13.1
Other assets	1,767	6.3	2,229	7.5
Cash and cash equivalents including current financial instruments	2,408	8.6	4,969	16.8
Total current assets	**7,921**	**28.3**	**11,317**	**38.2**
Deferred tax assets	**352**	**1.3**	**244**	**0.8**
Total assets	**27,945**	**100.0**	**29,620**	**100.0**
Equity and liabilities				
Equity	6,106	21.8	7,217	24.4
Minority interest	45	0.2	39	0.1
Total equity	**6,151**	**22.0**	**7,256**	**24.5**
Provisions	10,970	39.3	10,449	35.3
Financial liabilities	4,808	17.2	5,289	17.9
Trade payables	2,667	9.5	3,176	10.7
Other liabilities	3,349	12.0	3,450	11.6
Total liabilities	**21,794**	**78.0**	**22,364**	**75.5**
Total equity and liabilities	**27,945**	**100.0**	**29,620**	**100.0**

Working capital as of December 31, 2004, changed from €–503 million to €–278 million. It comprises the following balance sheet items: inventories, trade receivables, other assets after deduction of trade payables and other liabilities.

Selected indicators for financial position (Postbank at equity) in €m	Jan. 1 to Dec. 31, 2003	Jan. 1 to Dec. 31, 2004
Change in cash and cash equivalents	311	2,448
Net profit before changes in working capital	2,811	2,850
Net cash from operating activities	2,491	2,578
Net cash used in (from) investing activities	–1,887	357
Net cash used in financing activities	–244	–519

Further optimization of Group structure

We continued to optimize our Group structure in 2004 and this entailed changes in our organization. The Group's overall structure continues to be strictly broken down into corporate divisions. Overall management is the responsibility of the Group's Board of Management, which is supported in this task by the corporate departments. The operating businesses are divided into four corporate divisions and into services units grouped together under Corporate Services. The four corporate divisions represent the segments required for the purposes of International Financial Reporting Standards (IFRS).

The headquarters in Bonn (Corporate Center) formulates Group policy and carries out the functions of Group management. Each of the four corporate divisions is managed by a divisional headquarters. In 2004, we decided to move the EXPRESS Corporate Division headquarters to Bonn; the MAIL and FINANCIAL SERVICES Corporate Divisions are also managed from here. The responsibilities of the DHL headquarters previously located in Brussels were reassigned accordingly. Management responsibilities relating to the Group were integrated into the Corporate Center; the global responsibilities of the EXPRESS Corporate Division were allocated to the new divisional headquarters in Bonn. The EXPRESS Corporate Division headquarters responsible for the Europe and Emerging Markets regions continues to be based in Brussels. The LOGISTICS Corporate Divisional headquarters continues to be based in Basel.

In 2003, we placed all Group finance functions under the responsibility of the Board Member Finance and directly integrated the relevant organizations of the corporate divisions. Our financial organization is based on the separation of accounting and controlling functions. This has already been put into practice at headquarters level; we have begun the process of introducing this separation at regional and country level and will continue with it in 2005.

In the year under review, all the Group's audit departments were brought under a newly created corporate department called Corporate Internal Audit. Its competencies and activities were also expanded. In addition to traditional financial audits, they now encompass operational audits at a central level, which assess the effectiveness and efficiency of our business processes. Corporate Internal Audit also conducts management audits, which review the reliability of information used as the basis of decision-making for management purposes. Corporate Internal Audit therefore forms a major element of corporate governance, and strengthens the framework which supports responsible and accountable company management and control that is focused on the long-term creation of value.

Organizational changes in operating business

In the Corporate Services area, responsibility for legal services, previously part of Deutsche Post and DHL, was consolidated and transferred to two corporate departments. One of these has responsibility for the MAIL and FINANCIAL SERVICES Corporate Divisions, as well as for legal matters affecting the Group. A further corporate department deals with legal issues relating to the EXPRESS and LOGISTICS Corporate Divisions, and also with insurance and risk management.

All addressing, printing, in-house and call center activities in the MAIL Corporate Division have been brought together under Value Added Services. The aim of this is firstly to secure our core business in Germany, and secondly to make inroads into the lucrative value added business. Information technology in the corporate division has been strengthened by the recruitment of new staff and by improving its organization. This is of particular benefit to the quality of our service. The Mail International Business Division now has its own divisional board, whose members represent different regions and specialist areas. The purpose of this is to allow us to tap further revenue and earnings potential in deregulated segments of the market – above all in the USA and in selected European countries.

The EXPRESS Corporate Division continues to be managed by two board departments. On January 1, 2005, John Mullen joined the Group's Board of Management to take responsibility for the Americas, Asia and Emerging Markets department; Dr. Peter E. Kruse remains head of the department responsible for Europe. We continued to push ahead with the integration of Deutsche Post Euro Express, DHL and Danzas in Germany in preparation for 2005. As part of this, a legal merger of company units was carried out, organizational structures were simplified and potential cost savings were identified.

On October 30, 2002, we began the STAR program for value creation and integration. At that time, Deutsche Post AG had direct or indirect holdings of more than 1% in over 900 companies, and of more than 50% in over 750 of them. Since then, a STAR project has been addressing the Group's legal structure. In every country in which we operate, we organize our activities in as few companies as possible. It is our aim to reduce the number of companies by up to 300. We are achieving this aim by liquidating companies, merging them or also selling our interests in them, to the extent that the companies do not belong to our core business. In the year under review, we succeeded in reducing the number of legally independent units within the Group substantially, and in improving our legal structure for tax purposes. By doing this, we are also reducing our administration costs and furthering the process of integrating our operations.

International presence further expanded through acquisitions

In 2004, the Group again expanded its strategic positions not only through organic growth, but also by means of acquisitions. Our most significant acquisitions and investments in companies in the MAIL Corporate Division were:

- In January 2004, Deutsche Post Global Mail acquired the British company Speedmail International Limited, one of the few licensed postal companies which are not only active on the national mail market in the business-to-business* segment, but also transport international business mail to and from the UK.
- In April 2004, Deutsche Post Global Mail acquired the 30% holding in its Interlanden B.V. joint venture previously owned by the Wegener group, and now owns 100% of this delivery company for unaddressed advertising mail in the Netherlands.
- In addition, we made great progress in the USA, the largest national mail market in the world. In the second quarter of 2004, Deutsche Post Global Mail acquired the mail services company SmartMail. We also acquired selected assets and liabilities of QuikPak and incorporated them into SmartMail as part of an asset deal. The two companies have complementary product ranges: SmartMail is the leading provider of transport and sorting services in the field of flats and small parcels. QuikPak is the market leader for all catalog-related services. This now allows us to offer our customers in the USA one-stop national and cross-border mail services.

* These terms are explained in the Glossary

- In November, Deutsche Post Global Mail acquired around 38% of the shares in the Spanish company Unipost. The company is the largest private provider of postal services in the Spanish mail market, and has specialized in the national transportation of business mail. Unipost has an extensive network of franchises and partners. It already reaches a good 70% of the Spanish population via its own locations and those of its partners.
- In addition, Deutsche Post Global Mail acquired a majority interest in the French mail services provider KOBA at the end of the year, when the agreement was signed. The company is one of the leading specialists in direct marketing* and mail communication in France and cooperates with the French postal service in national delivery.

In the EXPRESS Corporate Division, DHL's activities were as follows:

- In September, DHL acquired the remaining 25% interest in Guipuzcoana. Now that our shareholding has reached 100%, we are in a position to push ahead vigorously with the integration of our own activities on the Iberian peninsula.
- In November, when the relevant agreement was signed, DHL acquired an initial 68% of the Indian express company Blue Dart. This move gives DHL access to the rapidly growing Indian domestic market for express services. We are the first international express and logistics business able to offer our customers our own domestic and international express services in China and India.
- Finally, in December, DHL established a joint venture with New Zealand Post, which is 50% owned by each company and which will combine their respective local express and logistics activities. This agreement represents a major boost for the development of DHL's market position in the Asia/Pacific region.

Further details of changes in the consolidated group can be found under item 3 in the notes to the consolidated financial statements.

Concentration on core business

In the year under review, the Group disposed of some of the investments classified as not belonging to its core business in the course of systematic portfolio management. This move is intended to define its profile more clearly. The most significant disposals were:

- In the EXPRESS Corporate Division, DHL Freight divested itself of its involvement in the road transportation of liquid and dry bulk goods: in April 2004, Danzas Chemicals was sold to the Dutch transport company De Rijke.
- In September, we sold our webmail service ePost. Existing customers were able to switch to the Lycos Europe web portal on exclusive terms and benefit from the wide range of services offered by this leading webmail provider.
- In addition, we disposed of a number of minority investments in the IT sector. This involved the sale of our investments in GFT Technologies (latterly, around 4%), Kordoba (22%) and the Swiss Delta Vista Holding (12%).

Further details of changes in the consolidated group can be found under item 3 in the notes to the consolidated financial statements.

* These terms are explained in the Glossary

Employees

Number of employees remains stable

As of December 31, 2004, we employed 340,667 full-time employees (previous year: 341,572). This represents a slight decrease of 0.3%.

The first-time full consolidation of companies in the Asia/Pacific region increased the number of employees in the EXPRESS Corporate Division by 3.1% to 139,944. Due to operational growth, the number of employees in the LOGISTICS Corporate Division rose by 2.5% to 32,159. The number of employees in the FINANCIAL SERVICES Corporate Division increased by 1.7% to 31,715 as a result of Postbank's new Transaction Banking division taking over both Dresdner Bank Zahlungsverkehrsservice GmbH and Deutsche Bank Payments Projektgesellschaft AG.

A contrary trend was again seen in the MAIL Corporate Division. Due in particular to the further optimization of operational processes and the voluntary extension of the weekly working hours, the number of employees decreased by 5.0% to 126,913.

Including trainees, the average workforce for the year amounted to 381,492. The number of civil servants continued to fall.

Change in workforce	Dec. 31, 2003	Dec. 31, 2004	Change in %
Corporate divisions			
MAIL [1]	133,651	126,913	−5.0
EXPRESS [1]	135,715	139,944	3.1
LOGISTICS [1]	31,382	32,159	2.5
FINANCIAL SERVICES [1] [2]	31,195	31,715	1.7
Other/Consolidation [1]	9,629	9,936	3.2
Group [1]	**341,572**	**340,667**	**−0.3**
Group [3]	333,369	342,639	2.8
Total workforce (headcount including trainees)			
As of December 31	383,173	379,828	−0.9
Hourly workers and salaried employees	298,357	307,842	3.2
Civil servants	70,130	67,618	−3.6
Trainees	6,609	6,032	−8.7
Average for the year	**375,096**	**381,492**	**1.7**

[1] Calculated as FTEs, excluding trainees, as of December 31
[2] Thereof Postbank 8,697 (December 31, 2003), 10,006 (December 31, 2004)
[3] Calculated as average FTEs for the year

Wage settlements lead to reliable planning

On June 2, 2004, Deutsche Post AG and the services union Vereinte Dienstleistungsgewerkschaft (ver.di) agreed a wage increase of 2.7% as of November 1, 2004. There will be a further wage increase of 2.3% as of November 1, 2005. The wage agreement is valid until April 30, 2006. Both sides will profit from this settlement: employees will participate in the business development of Deutsche Post, while the company gains a reliable basis for planning because the agreement runs for two years.

Collective agreements support integration process

The company and the union have also established collectively agreed arrangements for employees who will be transferred from many different companies into target companies, as part of the DHL integration in Germany. Legal certainty for employees affected regarding the validity of the relevant collective agreements was established in the following companies: DHL Betriebs GmbH, DHL Vertriebs GmbH & Co. OHG and DHL Verwaltungs GmbH. The foundations for uniform working and pay conditions were laid at the individual companies. Based on collective agreements, we have drawn up established rights arrangements with ver.di for employees who move to one of these target companies.

Postpersonalrechtsgesetz (Deutsche Bundespost Former Employees Act) amended

On November 13, 2004, the *Erste Gesetz zur Änderung des Postpersonalrechtsgesetzes* (First Law Amending the Deutsche Bundespost Former Employees Act) came into effect. It establishes a basis so that civil servants may be employed flexibly within the Group, subject to certain requirements being met. Bonus payments and performance-related pay schemes can now be governed by special derivative legislation. On this basis, we can continue to harmonize pay conditions and define targeted performance incentives within the various employee groups.

Forward-looking human resources policy

In terms of health management, the focus in 2004 was again on prevention and advice. Our health and safety focus program, “Accident-free However You Travel”, informed our employees of the dangers en route to and from the workplace. These initiatives, as well as our health promotion program, have achieved lasting success: Deutsche Post AG recorded the lowest sickness absence rate in its history at 5.6%, while accident rates also fell again.

Our idea management posted a new record in the year under review: Deutsche Post employees submitted over 136,000 suggestions in total! In the previous year this figure was around 98,000. The measurable savings from the ideas that were implemented amounted to around €106 million. Since February 1, 2004, the idea management program of our Group subsidiary Deutsche Postbank AG has been completely integrated.

Development prospects for specialist staff and executives

The targeted development of executives and junior managers is an essential factor for the continued growth of the Group. In 2004, we implemented a uniform system for the first time to evaluate and support specialist staff and executives throughout the Group. A key innovation is the annual discussion of development potential by the relevant executive committee, i.e. by line and senior management as well as the executive or human resource development functions.

Integrating international talent in the Group

Deutsche Post World Net is already in its third year of cooperation with some of the world’s leading business schools. Under the auspices of the MBA Internship Program, 45 MBA students from all over the world have to date collaborated on strategic Group projects. Alongside prominent US institutes such as Columbia, Wharton and Yale, our program partners also include leading business schools in the United Kingdom, India and China. 2005 will see new, additional cooperations with European institutes.

Establishing international contact in this way with graduates and universities reinforces our image as an employer and at the same time ensures access to new executive talent. The new “Keep in Contact” program maintains our links with students after the end of their internship. As a recruitment tool, it enables us to fill open positions with MBA graduates. We have already recorded our first successes in Europe and Asia.

A university with tailored programs

In the year under review, over 100 second- and third-level executives attended our Deutsche Post World Net University which cooperates with the Wharton Business School. They developed cross-divisional concrete measures in workshops lasting several days that will enable the Group to grow more profitably. We tailored and implemented programs for a further 200 fourth-level executives, and use these to strengthen integration in the EXPRESS and LOGISTICS Corporate Divisions.

We report on further topics in our 2003 Human Resources and Social Report. It can be requested at no charge using the postcard on the inside back cover, or by e-mail from personalbericht@deutschepost.de.

Safeguarding the Future

Integrated risk control increases transparency

The Group systematically enhanced its opportunity and risk management system in the year under review. In this context, we strengthened the links between operational management of opportunities and risks and financial control, thus creating an integrated risk control system. The latter’s standardized procedures ensure that information is exchanged on a regular basis between strategic and operational financial control and the management responsible. This enables us to counteract risks even more efficiently and to make use of the opportunities which present themselves.

Risk control builds on our global financial control structures. It controls the information process by stipulating Group requirements, in particular those relating to processes and assessment models.

As in the past, Postbank’s risk control system is designed to meet the banking supervision requirements laid down in the second consultation paper of the Basel Committee on Banking Supervision (Basel II). Further information on this is provided in item 45.1.1 of the notes.

Risk control follows a clearly defined process whose content and timing has been coordinated with the range of financial control instruments deployed. Risks are identified by considering issues and changes that may lead to positive and negative deviations from the plan. These are assessed on a quarterly basis by the corporate divisions using scenario modeling and reported to Corporate Controlling using a multi-level structured risk query report. Risk reporting to the Board of Management takes into account interdependencies existing between opportunities and risks. Significant changes in individual items must also be reported outside the fixed reporting cycle.

Active response to financial risk

Our operating activities entail financial risks resulting from changes in exchange rates, commodity prices and interest rates. We employ primary and derivative financial instruments to reduce existing risks. Apart from Postbank’s financial transactions, which are managed via Postbank’s own risk management system, the Group’s financial transactions are generally recorded using treasury risk management software.

We only enter into derivative transactions with prime-rated banks that we monitor on a regular basis. The Board of Management is informed regularly and in a timely manner about hedging measures. Financial instruments are accounted for in accordance with IAS 39. We established the universe of actions, responsibilities and controls necessary in this context for Group companies in internal guidelines.

Management of currency risks is important for us, as a large proportion of our international business is conducted in foreign currencies. The most important of those is the US dollar, as the majority of the transactions are either executed directly in US dollars or in currencies pegged to it. Other key foreign currencies are sterling, the Japanese yen, the Korean won, the Chinese yuan and the Mexican peso. Currency management follows a central strategy: Group companies are in principle obliged to notify Corporate Treasury of all their foreign currency flows. The central position for each currency and risk period is calculated at Group level, and hedged with banks, depending on market estimates.

Commodity price risks arise principally in the context of the purchase of kerosene, diesel, petrol and fuel oil. We reduce our risk by hedging part of our fuel requirements in advance. It is of special importance here that we can pass on some fuel price increases to customers by levying surcharges or providing corresponding clauses in our master agreements.

We respond to interest rate risks with active interest rate management. For this we record all interest-bearing Group receivables and liabilities. We employ primary and derivative financial instruments to optimize financing costs and to limit interest rate risks, which help us to manage the ratio between fixed and variable interest rate terms.

Controlling corporate division risks

The company and a number of its subsidiaries provide their services in a regulated environment. This gives rise to risks.

For the MAIL Corporate Division, significant risks mainly arise from the regulatory framework described below.

On January 1, 2003, the EU directive on further deregulation of the European postal markets was implemented into German law. Letters and addressed catalogs over 100g and/or three times the standard rate, and outgoing cross-border mail services, were opened up to competition. From January 1, 2006, these ceilings will be cut to 50g and/or two and a half times the standard rate. The change in the *Postgesetz* (German Postal Act*) entails competition risks in Germany on the one hand; but on the other, deregulation of other European mail markets opens up new opportunities for us.

On February 18, 2005, the *Bundesrat* (the upper house of the Federal German Parliament) approved a proposal to amend the *Postgesetz*. This will allow competitors to transport addressed catalogs, and extend regulatory price approval to include mail products outside of the monopoly with a minimum posting volume of 50 items. In addition, it will permit downstream access to Deutsche Post's network by mail consolidators. The latter are companies that collect mailings from several senders, bundle them and hand them over to Deutsche Post AG at a discounted rate.

The proposed amendment to the *Postgesetz* can only come into force with the approval of the *Bundestag* (the lower house of the Federal German Parliament). At present, this appears unlikely; however, if it is approved, negative effects on the Group's revenue and earnings cannot be ruled out.

* These terms are explained in the Glossary

The *Postgesetz* has already allowed exceptions since January 1998, on the basis of which competitors are allowed to operate within the weight and price ceilings laid down in our exclusive license, thus intensifying competition. At the end of the year under review, the *Regulierungsbehörde für Telekommunikation und Post* (RegTP* – Regulatory Authority for Telecommunications and Posts) had issued licenses to a total of 1,746 competitors.

In 2002, the RegTP specified the conditions which will apply until the end of 2007 to regulation under the so-called price-cap procedure* for mail prices requiring approval. This stipulates the general rate of inflation and the expected productivity growth rate for Deutsche Post AG as the key factors applicable to mail prices. On this basis, the RegTP approved mail prices for 2004 in September 2003. Due to the low inflation rate in the reference period of 2003, we had to lower the prices of some mail products requiring approval as of January 1, 2005. The RegTP issued the corresponding approval for 2005 at the end of November 2004.

The REIMS II agreement regulates the European exchange of cross-border mail and the corresponding terminal dues to be charged. It has now been agreed by 17 European postal companies and was approved by the European Commission in October 2003. The UK Royal Mail terminated this agreement as of December 31, 2004. We are currently in negotiations with that company about an appropriate basis for terminal dues.

The European Commission published a revised directive proposal at the beginning of July 2004 for a change in the current VAT exemption for postal universal services. In order to take effect, the proposal would have to be unanimously accepted by the member states. According to the latest information this is not expected to be the case, as some countries – including the Federal Republic of Germany – have already rejected the proposal outright. It seems unlikely at present that new European VAT regulations for the postal sector will come into effect and be implemented into national law before 2007. If it came to a tax increase, the resulting risk would be cushioned by a price increase. According to the Regulatory Authority, the prices it has approved do not include VAT. Rather, they are net prices, which means that VAT could be added to the approved prices.

The mail market in Germany will also face significant structural changes over the next few years in the course of deregulation. As the law now stands, the mail monopoly in Germany will be abolished as of January 1, 2008. We want to minimize resulting market share losses as far as possible by improving the already high quality of our services still further and working even more cost-effectively.

We are expanding our activities at the same time in selected foreign mail markets such as the USA, the UK, the Netherlands, France and Spain, in order to achieve increasing revenues for the long term in the MAIL Corporate Division.

We expanded the EXPRESS Corporate Division successfully and are now active on all continents. The global organization reflects the special requirements of every region. Selected projects will ensure the integration and global networking of business processes and investment in new locations and technology. We aim to expand our market position in each case and simultaneously leverage synergies, and thus earnings potential, by improving our quality of service. However, an integration project of this complexity also poses a number of risks that could have an adverse effect on business. In particular, it is important to maintain a high standard of quality for our customers. Despite every effort, a temporary loss in quality may occur, which may lead to a decline in revenue and earnings.

* These terms are explained in the Glossary

Terrorist attacks could also have negative effects on our business, primarily on our air-based express operations. An increase in the relevant insurance premiums also cannot be ruled out.

We recorded our first successes in the US with the integration of Airborne Inc.'s business units. This will continue to be both a major opportunity and a major challenge. However, as our business operations in the US are significantly lower at present than we originally expected, we resolved additional expenditure and investments to strengthen our presence there. Additional information on this can be found in the "Business Developments" section on page 54. Competition on the US market is considered to be particularly fierce.

A routine investigation of US citizenship at the US air carrier ABX Air Inc. is currently underway at the Department of Transportation (DOT) in accordance with the DOT statutes. ABX Air Inc. is an independent company that provides transportation services for DHL. The outcome of and procedure to be adopted during this investigation have not yet been decided, even though there are certain parallels to the investigation of Astar Air Cargo Inc. in 2003 and 2004, which had a positive outcome.

External audits are currently underway at DHL Express (USA) and Airborne Inc. in line with the US unclaimed property laws. These laws state that assets with no owner must either be returned to their rightful owner or transferred to the last known owner's home state, or if this is not known, to the state in which the company is domiciled.

We aim to maintain or extend our leading position on the Asian market. Our key markets are China and Hong Kong. As explained in the "Outlook" section on page 70, we do not expect the economy to overheat in this region in the future. However, if there is a rough landing contrary to expectations, it could lead to unplanned revenue shortfalls.

Material opportunities and risks in the LOGISTICS Corporate Division are linked to the expansion of operating activities in the Americas, Asia and Eastern Europe. We intend to optimize the infrastructure there together with the EXPRESS Corporate Division so that the synergies resulting from this may also help to further improve the earnings situation.

We initiated the restructuring of the retail outlet business in the FINANCIAL SERVICES Corporate Division on January 1, 2005. We defined responsibilities more clearly and shortened decision-making paths in order for our retail outlets to be even more customer-oriented and work more efficiently. Considerable effort will still be necessary before the reorganization is fully implemented.

Postbank forms the most important component of this corporate division even after its IPO. Greater visibility on the market and the resulting prospects for growth will also dominate business here over the next few years. However, the banking business is also exposed to risks arising from changes in market prices and possible loan defaults. The bank's positioning in the retail banking business and its extensive experience in monitoring and managing risk, for instance in the areas of currency trading, securities trading and lending, limit the danger of sudden fluctuations in earnings. The risk limit system approved by Postbank's Management Board is monitored on a daily basis. Postbank is also systematically enhancing the system it uses to identify, quantify and control operational risks, including with a view to the Basel II capital adequacy requirements that apply as of 2006.

Legal risks from pending cases

Legal risks arise from the cases pending before the administrative courts against the RegTP's ruling concerning the conditions for the price-cap procedure in July 2002 as well as against the RegTP's price approvals under the price-cap procedure for 2003, 2004 and 2005.

In the European Commission competition proceedings, which were initiated on the basis of accusations about excessive mail prices made by the *Deutscher Verband für Post und Telekommunikation* (German Association for Posts and Telecommunications), we have presented the European Commission with detailed evidence to support our argument that the prices are reasonable.

Conditions determined by the regulator oblige us to allow customers and competitors downstream access to our network. Depending on the outcome of ongoing proceedings against the final decisions by the RegTP in the administrative courts, the *Bundeskartellamt* (German Federal Antitrust Authority), the European Court of Justice and the European Commission, we could be faced with a substantial decline in revenue and earnings. We would like to highlight the following cases:

In a ruling on October 20, 2004, against the Federal Republic of Germany, the European Commission found that the relevant provisions of the *Postgesetz* (German Postal Act) are not consistent with EU law. This ruling related to downstream access to Deutsche Post's network by mail consolidators. The Federal Republic of Germany was required to inform the European Commission within two months of the measures it has taken to satisfy EU law. It appealed against the European Commission's ruling in December of the year under review.

By way of a ruling dated February 11, 2005, in corresponding proceedings, the *Bundeskartellamt* prohibited Deutsche Post AG from refusing downstream access by mail consolidators to its network.

In addition, several competitors have asked the RegTP to require them to be granted access as mail consolidators.

In our view, the *Postgesetz* and the scope of the exclusive license comply with Community and competition law, notably with the EU Postal Services Directive and the competition rules of the EC Treaty. For this reason, we filed an appeal against the European Commission's ruling on December 22, 2004. An appeal against European Commission decisions does, as a rule, not have a suspensive effect. We appealed against the *Bundeskartellamt's* decision and will apply for suspensive effect.

If the rulings by the European Commission, the *Bundeskartellamt* or the RegTP result in an obligation to grant mail consolidators downstream access to our network, this could lead to revenue losses in no more than the low hundreds of millions per year.

An allegation by the *Monopolkommission* (German Monopoly Commission) is the subject of a request for information by the European Commission in response to a complaint by a third party to the German federal government on October 11, 2004. The allegation is that Deutsche Post AG contravenes the prohibition on state aid enshrined in the EU Treaty by allowing Deutsche Postbank AG to use Deutsche Post outlets at below market rates. Deutsche Post AG continues to maintain that the allegation is inaccurate, and that the fee paid by Deutsche Postbank AG complies with the provisions on competition and state aid laid down in European law.

The European Commission's request for information also includes questions relating to the sale by the German federal government of its entire interest in Deutsche Postbank AG to Deutsche Post AG on January 1, 1999. However, the European Commission had already investigated the allegation of a sale at below market price as part of the state aid proceedings that were concluded with the ruling dated June 19, 2002. At the time, it explicitly concluded that "the acquisition of Postbank involved no grant of state aid".

The German government submitted its reply to the questions raised in the request for information to the European Commission on time, arguing that the allegations are unfounded in its opinion. Nevertheless, with regard to both allegations relating to the request for information, no assurance can be given that the European Commission will not find that the facts of the case constitute state aid.

On January 21, 2004, the European Commission issued a state aid ruling on the assumption by the Belgian government of pension obligations owed by the Belgian telecommunications company Belgacom to employees. Some press releases reported that the European Commission would consider applying the state aid principles of this decision to Deutsche Post AG if the European Courts grant Deutsche Post AG's appeal against the European Commission's state aid ruling dated June 19, 2002. According to these press releases, this could result in a substantial financial burden for Deutsche Post AG.

However, the European Commission has not confirmed these reports. In addition, it is our opinion that the facts of the case governing the ruling of January 21, 2004, differ from the statutory regulation of Deutsche Post AG's pension obligations. We believe that the arrangements for financing pension obligations do not constitute state aid by the Federal Republic of Germany, based on the European Commission's previous decisions. It should also be noted in this matter that the European Commission examined in detail the contributions by the Federal Republic to finance pensions within the scope of the state aid proceedings that have already been concluded, and did not establish any illegal aid in its decision of June 19, 2002. In this respect, Deutsche Post AG therefore claims protection under the principle of legitimate expectations. Nevertheless, no assurance can be given that the European Commission will not find that the facts of the case constitute state aid.

Preventive response to infrastructure risks

We opened our new IT center in Prague in September 2004, thus completing the physical consolidation of DHL's global IT infrastructure. It now covers all time zones from its three locations in Prague, Kuala Lumpur and Scottsdale, USA, and so can offer round-the-clock IT services. However, this focus means a higher susceptibility to business interruptions, such as natural disasters or human error. We employ an internally developed IT risk management system in this area. It guards against potential failures and reduces their impact through a variety of preventive measures.

Concentrating the locations also means an increase in the demands made on network services. We are investing heavily in new, high-performance software in order to be able to guarantee short system response times. We aim to avoid delays and unexpected cost increases with the help of dedicated project management.

We attempt to avoid business interruptions at key operational locations by systematically monitoring our sophisticated conveyor and sorting systems. We also take a large number of precautions, for example in the area of fire protection. If damage were nonetheless to occur, we could significantly reduce the financial effects of any potential interruption to business thanks to our emergency and contingency plans.

The global express market is highly competitive on the one hand, while customer demands regarding posting and delivery times are growing on the other. In order to maintain and improve our strong position in this key market, it is vital for us to build a new air freight hub* in Europe with state-of-the-art sorting technology. We therefore plan to build a new hub in Leipzig. The planning, construction and implementation phase, which is currently scheduled to last until the end of 2007, presents a great challenge, which we are going to meet with tight project management. Operations are planned to commence in the first quarter of 2008.

Additional risks

We recognized goodwill in the course of the expansion and internationalization of the Group. The application of IAS 36, i.e. the implementation of impairment tests, may require goodwill to be written down for impairment.

We revised our insurance strategy for the Group in the year under review. Risks with a high probability of occurrence and lower loss amount can be insured via a captive – an insurance company belonging to the Group. This is designed to allow us to lower our overall insurance costs. Risks with a low probability of occurrence but that could entail high losses, such as air transportation risks, continue to be handled by external insurance companies. In this context, we either place risks directly or via third-party insurance brokers.

As Deutsche Post World Net is a service provider and does not conduct research and development in the narrower sense, there are no material risks to report in this area.

The volume of Deutsche Post World Net's operating activities is linked at a general level to the state of the economy in individual countries and to their trade relations. We do not consider the Group as a whole to be exposed to any significant macroeconomic risks at present.

In the past fiscal year, there were no identifiable risks for the Group that, individually or collectively, could have significantly affected the continued existence of the company. Nor are there any such risks apparent in the foreseeable future.

Successful central procurement organization

We established a central procurement organization in 2003. Corporate Procurement has the task of procuring indirect goods and services worth around €5.8 billion annually. These include goods and services that are not direct components of pricing, such as vehicles and IT. The corporate divisions are responsible for the procurement of direct products and services; these relate primarily to transport services.

The procurement functions were radically restructured as part of STAR, with the aim of making the procurement function and order processes more efficient. We achieved this by bundling large procurement volumes into a total of 18 product categories, with a category management team responsible for each one at a global level. We have also harmonized procurement processes.

* These terms are explained in the Glossary

Our procurement organization succeeded in making further significant savings in 2004. All relevant procurement initiatives are recorded, tracked and evaluated throughout the Group. The corporate divisions have developed and implemented processes and systems in cooperation with Corporate Controlling to ensure that significant savings are systematically incorporated in corporate divisional planning.

Some concrete examples of how we bundle our procurement needs throughout the Group are given below:

- We have standardized the packaging used by business customers worldwide to present a uniform image to our customers. This has enabled us to bundle demand worldwide. With the help of state-of-the-art Internet-based procurement tools, we were able to gain new suppliers in Asia, Eastern Europe and the Americas, and achieve better conditions.
- We established our computer requirements throughout the Group and put them out to tender; in the future, we will be able to procure our hardware at better terms and from fewer key suppliers.
- Following in-depth market analysis, we put our requirements for marketing and media services relating to external communications out to tender. We reviewed all creative services and their commercial competitiveness as a part of this process. This allowed us to harmonize our media strategy at a global level and reduce our costs.
- We have established standardized Group-wide guidelines for the procurement of uniforms and protective clothing. Following several comprehensive tendering procedures, we reduced the number of our core suppliers to around 20 in Europe, Asia and the Americas. By standardizing our clothing and bundling volumes, we are cutting costs and at the same time meeting our quality requirements.

The procurement function is broken down into four regional organizations – Germany, Europe and Emerging Markets, the Americas, and Asia/Pacific. We were able to significantly increase their efficiency in the year under review through the following organizational measures:

- In the Germany region, we streamlined the procurement organization from ten down to six operating departments, although the procurement functions from subsidiaries were integrated, thus adding tasks.
- The Americas region was restructured to reflect the higher procurement volumes following the integration of Airborne Inc.

After we standardized and optimized procurement processes in 2003, a team of international buyers revised operational order processing in the year under review in order to establish global standards and efficient workflows in this area as well. This improved process was implemented on the basis of SAP EBP (Enterprise Buyer Professional).

Continuous improvements to services

Deutsche Post World Net provides services. The Group does not conduct **research and development** in the narrower sense in the way in which manufacturing companies in this area do.

However, we aim to continually improve the services we provide for our customers. Corresponding initiatives designed to selectively realize new revenue and income potential are driven forward decentrally by the individual corporate divisions. Overall expenditures in this area in 2004 were negligible compared with consolidated revenue.

A good example of improved services is the Packstation. After a three-year test phase in several German cities, we started to roll out the automated DHL solution for sending and receiving parcels in 2004. This innovation offers an improved service to our customers, particularly those in metropolitan areas, whilst also optimizing the existing delivery network.

Unbureaucratic humanitarian aid

A special **Environmental Report** outlines how Deutsche Post World Net works to protect the environment and the social responsibility it assumes. It can be requested free of charge using the postcard on the inside back cover. You will also find more on this topic on the Internet under www.dpwn.com. In 2006, we intend publication of a comprehensive Sustainability Report that combines the Environmental Report with the Human Resources and Social Report.

Southeast Asia was hit by a natural disaster at the end of 2004; a seaquake followed by a tsunami devastated vast sections of the coast. As an international transport company, we worked together closely with governments and aid organizations to provide immediate help for people in the countries affected. As part of the Disaster Resource Network, DHL transported aid supplies free of charge and helped to distribute them at the destinations. Deutsche Post World Net donated €1 million to the aid organizations and called on its employees to make donations and offer their assistance. Postbank reduced the cost of express money transfers for private recipients in the countries hit by the crisis and donated €200,000 in addition to its share of the fees. In collaboration with eBay, we launched a fundraising campaign across Germany under the motto “We want to help”. We assumed the costs of transportation to a collection point, and eBay waived its usual fees for the auction. The costs for preparing the goods for auction were shared by the two cooperation partners. Within a short space of time, over 200,000 items were donated for auction, bringing in a total of over €2.2 million for the tsunami victims.

Events after the Close of the Fiscal Year

No changes in operating environment

There were no significant changes in the Group’s operating environment after the end of the year under review.

DHL takes over goods distribution for KarstadtQuelle

As of April 1, 2005, our Group subsidiary DHL Solutions will take over a large part of the group logistics of KarstadtQuelle AG. This includes the entire department store logistics as well as the bulky goods and part-load operations for the Quelle und Neckermann mail order firms. The collaboration is initially planned for ten years. With revenues of around €500 million per year, the agreement represents a total volume of €5 billion. The purchase price amounted to €200 million. This acquisition strengthens our DHL Solutions Business Division which is taking over structures of great importance for entering the retail logistics* market: we will not only supply the department stores and mail order customers smoothly, but also operate the related procurement and information technology. Just under 3,700 employees will transfer from KarstadtQuelle to DHL as of April 1, 2005.

Structural change in 2005

On January 1, 2005, we began to combine the activities of the retail outlets of Deutsche Post AG, Deutsche Post Vertriebsgesellschaften and Deutsche Post Retail Gesellschaften in Deutsche Post Retail GmbH. This new structure shortens the decision-making processes and enables us to better manage the business.

Since January 1, 2005, a standardized framework agreement on employment conditions and a collective wage agreement have been in place at Deutsche Post Retail GmbH for all employees subject to collective wage agreements. It creates the requirements for the competitive remuneration of employees in line with market standards. Important collectively agreed working conditions were guaranteed for all the employees subject to collective wage agreements who are moving from Deutsche Post AG to Deutsche Post Retail GmbH. The transfer to the new company will thus be implemented in a socially responsible manner.

We also optimized our IT organizational structure at the beginning of the year: responsibilities for the user departments' requirements have been separated from those for services. This aims to ensure that IT provides the operating business with the best possible support. The Chief Information Officers of the respective corporate divisions are thus responsible for the IT strategy, the application environment and program management. An internal IT service provider which is active on a global scale will now support them in application development and systems operation. Postbank is excluded from these changes.

Outlook

Global upturn continues at a gentler pace

The global economic upturn seems to be continuing in 2005. At the same time, however, there are clear signs that the growth rate of the previous year will not be reached. Economic experts are interpreting this slowdown positively, as it will help prevent the economy from overheating and hence improve the prospects of a more sustainable recovery. Despite this, **world trade volumes** are set to post another strong increase of 8% in 2005.

In the **USA,** the economy is on a firm footing, with private consumption still likely to remain the cornerstone. However, as the investment backlog has now been more or less eliminated, the pace of growth may slow somewhat and demand for imports may decline. Overall, GDP growth in the USA is expected to drop to 3.4% this year.

Japan is unlikely to repeat its export success of the previous year. Experts are only predicting export growth of just under 7%. Although a continued positive trend is expected for both private consumption and investment, GDP growth is set to drop to 1.2% as a result.

* These terms are explained in the Glossary

In **China,** macroeconomic growth may fall somewhat, but at 8.2% it looks likely to maintain its leading position globally. In 2005, Chinese exports are also predicted to grow by around 30.0%.

Due to the rise in the euro, experts think that the **euro zone** looks set to profit less from growing exports than in 2004. In view of the gentler pace of the global economy, a rise in exports of no more than a good 5% is expected. Rather, the economy will become increasingly supported by domestic demand. On balance, GDP growth, at 1.7%, should be as high as in the previous year.

In **Germany** in 2005, GDP is forecast to grow by only 1.0%. However, this assumes that industry abandons its pronounced reluctance to invest, and that consumer spending increases somewhat. Economic experts are forecasting that exports will rise by 5.7%.

The current year is unlikely to see a repeat of the turbulence in the **oil** market.

Economic institutes believe that undesirably sharp fluctuations in **exchange rates** pose the biggest risk to the global economy in 2005. Economic recovery in the euro zone, especially in Germany, would be threatened by a further strong depreciation of the US dollar against the euro. At the same time, US pressure on the Asian countries to allow their currencies to appreciate against the US dollar so as to help reduce the US current account deficit could increase.

With inflation set to remain under control on both sides of the Atlantic, rate increases on the part of the US Federal Reserve and the European Central Bank should be relatively restrained, and capital market rates should also only increase moderately as a result. Earnings growth, attractive valuations and only slightly higher interest rates should therefore create a continued positive environment for the **equity markets.**

Good prospects for international and specialized markets

In the coming year, the German **mail market** should develop in much the same way as it did in 2004: while it will presumably remain steady in the area of mail communication, the market for direct marketing* will grow, and the market for press distribution will experience a further slight decline. The new mail prices for the current fiscal year came into effect on January 1, 2005. Under the applicable price cap formula, they dropped by an average of 0.7%. Considered in isolation, these price cuts will result in annual revenue losses of around €50 million. The international mail market should grow by an estimated 1–2% in 2005 and 2006.

Two contrary trends are emerging in the **CEP markets:** while the mature European domestic markets stagnate, cross-border business will grow strongly worldwide with the continued increase in import activity from Asia and Eastern Europe. Depending on oil price movements, a shift from air to ground-based transport is possible. In the US domestic market, companies will have to focus even more closely on the needs of their customers; service quality will become a crucial factor here.

* These terms are explained in the Glossary

The **logistics market** forecast is for air freight transport to grow by an average of 6% per year up until 2010. The highest increase is expected in Asia, with above-average growth primarily being recorded for inner-Asian transport. Capacity bottlenecks could lead to rate hikes. Further rate rises are also predicted for ocean freight, especially for outbound Asian traffic. This development will not be slowed until the second half of the year, when the latest generation of container ships are launched and freight capacities increase accordingly.

Since interest rates are only expected to rise moderately in 2005, the pressure on **German banks** to optimize their cost structures is unlikely to ease.

STAR on the home straight

The close of 2005 will see the completion of our value creation and integration program as planned. Individual projects that continue after this point will become the responsibility of the corporate divisions at the end of the year.

STAR's focus in 2005 is the physical integration of the network in Europe.

We will be introducing a global supplier management system for procurement to ensure a standardized Group-wide procedure based on objective criteria for evaluating and developing suppliers. After introducing the new operational procurement process based on SAP EBP in Poland and the USA at the beginning of 2005, the system will be extended to additional countries. When this project is completed, around 20 of the countries with the largest procurement volumes in Deutsche Post World Net will be working with this software.

In 2005, our activities designed to optimize the Group's legal structure will be continued and completed in most countries.

At DHL, we are starting to roll out our newly designed company uniforms worldwide. By the end of 2005, they will have been issued to over 110,000 employees.

Further increase in EBITA planned

We estimate that the measures and initiatives as part of **STAR** will achieve an aggregate earnings contribution of at least €1.4 billion by December 31, 2005.

We expect total **Group** EBITA for the coming year of at least €3.6 billion.

As goodwill is no longer amortized as of fiscal year 2005, we are expecting ceteris paribus, i.e. all else remaining constant, a correspondingly higher **consolidated net profit.**

We intend to share our good business development with our shareholders in the future by paying a corresponding **dividend,** and thus to continue our current dividend policy.

IFRS Consolidated Financial Statements

Income Statement

For the period January 1 to December 31 in €m	Note	Deutsche Post World Net 2003	Deutsche Post World Net 2004
Revenue and income from banking transactions	10	40,017	43,168
Other operating income	11	1,203	1,365
Total operating income		**41,220**	**44,533**
Materials expense and expenses from banking transactions	12	–18,466	–20,546
Staff costs	13	–13,329	–13,744
Depreciation and amortization expense excluding goodwill amortization	14	–1,392	–1,451
Other operating expenses	15	–5,058	–5,445
Total operating expenses excluding goodwill amortization		**–38,245**	**–41,186**
Profit from operating activities before goodwill amortization (EBITA)		**2,975**	**3,347**
Goodwill amortization	16	–319	–370
Profit from operating activities (EBIT)		**2,656**	**2,977**
Net income/loss from associates	17	–28	4
Net other finance costs	18	–713	–825
Net finance costs		**–741**	**–821**
Profit from ordinary activities		**1,915**	**2,156**
Income tax expense	19	–573	–431
Net profit for the period before minority interest	20	**1,342**	**1,725**
Minority interest	21	–33	–137
Consolidated net profit for the period		**1,309**	**1,588**
in €			
Basic earnings per share	22	1.18	1.43
Diluted earnings per share	22	1.18	1.43

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Balance Sheet

As of December 31 in €m	Note	Deutsche Post World Net 2003	Deutsche Post World Net 2004
Assets			
Noncurrent assets			
Intangible assets	24	6,404	6,846
Property, plant and equipment	25	8,818	8,439
Noncurrent financial assets	26		
Investments in associates		79	82
Other noncurrent financial assets		656	661
		735	743
		15,957	**16,028**
Current assets			
Inventories	27	218	227
Receivables and other assets	28	5,484	6,297
Receivables and other securities from financial services	29	128,928	125,009
Current financial instruments	30	75	187
Cash and cash equivalents	31	3,355	4,845
		138,060	**136,565**
Deferred tax assets	32	**916**	**764**
Total assets		**154,933**	**153,357**
Equity and liabilities			
Equity			
Issued capital	33	1,113	1,113
Reserves	34	3,684	4,516
Consolidated net profit	35	1,309	1,588
		6,106	**7,217**
Minority interest	36	**59**	**1,611**
Provisions			
Provisions for pensions and other employee benefits	37	6,351	5,882
Tax provisions	38	1,491	1,592
Other provisions	39	4,831	4,965
		12,673	**12,439**
Liabilities			
Financial liabilities	40	4,749	5,240
Trade payables	41	2,755	3,285
Liabilities from financial services	42	123,317	117,026
Other liabilities	43	5,274	6,539
		136,095	**132,090**
Total equity and liabilities		**154,933**	**153,357**

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Cash Flow Statement

For the period January 1 to December 31 in €m	Note	Deutsche Post World Net 2003	Deutsche Post World Net 2004
Net profit before taxes		**1,915**	**2,156**
Net interest income		723	837
Depreciation/amortization of noncurrent assets		1,693	1,837
Gains on disposal of noncurrent assets		–85	–26
Non-cash income and expense		228	426
Change in provisions		–963	–1,276
Taxes paid		–65	–76
Net profit before changes in working capital		**3,446**	**3,878**
Changes in working capital			
Inventories		9	–9
Receivables and other assets		614	–711
Receivables/liabilities from financial services		–697	–2,550
Liabilities and other items		541	1,728
Extraordinary expense from EU state aid proceedings		–907	0
Net cash from operating activities	44.1	**3,006**	**2,336**
Proceeds from disposal of noncurrent assets			
Divestitures		32	1,535
Other noncurrent assets		476	503
		508	**2,038**
Cash paid to acquire noncurrent assets			
Investments in companies		–1,362	–793
Other noncurrent assets		–1,484	–1,743
		–2,846	**–2,536**
Interest and dividends received		134	225
Current financial instruments		71	–112
Net cash used in investing activities	44.2	**–2,133**	**–385**
Proceeds from issue of financial liabilities		1,798	1,396
Repayment of financial liabilities		–1,401	–956
Dividends and other payments to owners		–445	–490
Interest paid		–256	–443
Net cash used in financing activities	44.3	**–304**	**–493**
Net change in cash and cash equivalents		569	1,458
Effect of changes in exchange rates on cash and cash equivalents		–49	–14
Change in cash and cash equivalents due to changes in consolidated group		0	46
Cash and cash equivalents at January 1		2,835	3,355
Cash and cash equivalents at December 31	44.4	**3,355**	**4,845**

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Statement of Changes in Equity

For the period January 1 to December 31 in €m	Issued capital	Reserves			Consolidated net profit	Total equity
		Capital reserves	Retained earnings	IAS 39 reserves		
Balance at January 1, 2003	1,113	356	3,499	–532	659	5,095
Capital transactions with owner						
Capital contribution from retained earnings						0
Dividend					–445	–445
Other changes in equity not recognized in income						
Currency translation differences			–102			–102
Other changes		21	4	224		249
Changes in equity recognized in income						
Appropriation to retained earnings			214		–214	0
Consolidated net profit					1,309	1,309
Balance at December 31, 2003	**1,113**	**377**	**3,615**	**–308**	**1,309**	**6,106**
Balance at January 1, 2004	1,113	377	3,615	–308	1,309	6,106
Capital transactions with owner						
Capital contribution from retained earnings						0
Dividend					–490	–490
Other changes in equity not recognized in income						
Currency translation differences			28			28
Other changes		31	–11	–35		–15
Changes in equity recognized in income						
Appropriation to retained earnings			819		–819	0
Consolidated net profit					1,588	1,588
Balance at December 31, 2004	**1,113**	**408**	**4,451**	**–343**	**1,588**	**7,217**
Note	33	34	34	34	35	

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Notes to the Consolidated Financial Statements of Deutsche Post AG for the Period Ended December 31, 2004

1 Basis of accounting

The consolidated financial statements of Deutsche Post AG for fiscal year 2004 were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), required to be applied as of the reporting date. Details of the IFRS improvements and new standards adopted and published in fiscal year 2004 can be found in note 5 "A look forward to IFRS changes for fiscal year 2005".

The requirements of the standards applied have been satisfied in full, and the consolidated financial statements of Deutsche Post World Net therefore provide a true and fair view of its net assets, financial position, and results of operations.

The accounting policies, as well as the explanations and disclosures in the notes to the IFRS consolidated financial statements for fiscal year 2004, are generally based on the same accounting policies used in the 2003 consolidated financial statements with the exception of IFRS 3 (Business Combinations), which must be applied to new acquisitions from April 2004 onwards in place of IAS 22 (Business Combinations). The accounting policies are explained in note 7.

By publishing IFRS consolidated financial statements, Deutsche Post AG has made use of the option contained in section 292 a of the *Handelsgesetzbuch* (HGB – German Commercial Code) to prepare its consolidated financial statements in accordance with internationally accepted accounting principles and to dispense with the preparation of consolidated financial statements in accordance with the requirements of the German Commercial Code. The assessment as to whether the consolidated financial statements and the Group Management Report comply with the EC 7th Directive was based on the interpretation by the German Accounting Standards Board of the German Accounting Standards Committee (GASC) published as German Accounting Standard No. 1 (GAS 1).

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

The consolidated financial statements are prepared in euros (€). All amounts are given in millions of euros (€ million, €m).

2 Significant differences between International Financial Reporting Standards and German accounting principles

The accompanying consolidated financial statements incorporate the following significant accounting policies that differ from German law:

- Internally generated intangible assets are recognized where these meet the criteria for recognition as assets.
- Under IFRS, goodwill resulting from the acquisition of subsidiaries to be consolidated must be capitalized. For the purpose of amortization or subsequent measurement, a distinction must be made for fiscal year 2004 between companies acquired before or after March 31, 2004, and therefore whether to apply IAS 22 or IFRS 3. Goodwill resulting from acquisitions before March 31, 2004, must be amortized over its useful life in accordance with IAS 22 for the last time in fiscal year 2004. Goodwill from acquisitions after March 31, 2004 – for which IFRS 3 must be applied – is no longer amortized, but instead tested annually for impairment (for further details, see also note 5 "A look forward to IFRS changes for fiscal year 2005").
- Pension provisions are measured using the projected unit credit method reflecting future compensation and retirement benefit trends and the corridor rule in accordance with IAS 19. Both indirect and direct pension obligations (defined benefit plans) were included in the computation of pension obligations.
- Other provisions are only carried in the case of obligations to third parties that are more likely than not to arise (50 percent plus rule). Accruals, which are characterized by a far higher level of certainty in terms of the timing and amount of settlement of the obligation, are carried under liabilities.
- Deferred tax assets and liabilities and deferred tax assets and liabilities from loss carryforwards are accounted for using the balance sheet approach on the basis of the enacted or expected tax rates applicable to future distributions.
- In accordance with IAS 39, all financial instruments, including derivatives, are recognized and measured at amortized cost or fair value, depending on the category to which they are assigned.
- In the case of finance leases, assets are capitalized and the residual liability is recognized as an expense using the allocation criteria set out in IAS 17.

3 Consolidated group

In addition to Deutsche Post AG, the consolidated financial statements for the period ended December 31, 2004, generally include all German and foreign operating companies in which Deutsche Post AG directly or indirectly holds a majority of voting rights, or whose activities it can in some other way control. The companies are consolidated from the date on which Deutsche Post World Net is able to exercise control.

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

Consolidated group	Total 2003	German 2004	Foreign 2004	Total 2004
Number of fully consolidated companies (subsidiaries)				
at January 1	648	114	569	683
Additions	5	4	11	15
Disposals	41	3	52	55
Change in method of consolidation	71	5	8	13
at December 31	**683**	**120**	**536**	**656**
Number of proportionately consolidated joint ventures				
at January 1	29	2	6	8
Additions	1	0	0	0
Disposals	1	0	0	0
Change in method of consolidation	−21	0	0	0
at December 31	**8**	**2**	**6**	**8**
Number of companies accounted for at equity (associates)				
at January 1	42	5	35	40
Additions	0	0	1	1
Disposals	3	0	2	2
Change in method of consolidation	1	0	1	1
at December 31	**40**	**5**	**35**	**40**

82 subsidiaries (December 31, 2003: 63) and 8 joint ventures (December 31, 2003: 8) were not consolidated for reasons of materiality; these companies were carried at amortized cost. 28 associates (December 31, 2003: 27) were carried at cost because they were not material to the results of Deutsche Post World Net.

The following table gives an overview of significant acquisitions required to be consolidated, increases in equity interests and changes in the method of consolidation in fiscal year 2004:

Companies consolidated for the first time	Equity interest in %	Date of first-time consolidation	Notes
MAIL			
Speedmail International Limited, UK (Speedmail)	100	Feb. 1, 2004	Purchased
Interlanden B.V., Netherlands (Interlanden)	100	Apr. 29, 2004	Equity interest increased to 100%
SmartMail Holdings LCC and subsidiaries, USA (SmartMail)	100	May 28, 2004	Purchased
EXPRESS			
DHL Korea Limited, Korea (DHL Korea)	50	Jan. 1, 2004	Equity interest increased and method of consolidation changed
DHL Sinotrans International Air Courier Ltd., China (DHL Sinotrans)	50	Jan. 1, 2004	Method of consolidation changed
Narrondo Desarrollo, S.L. (Guipuzcoana), Spain	100	Sep. 30, 2004	Equity interest increased to 100%

MAIL

In January 2004, Deutsche Post Beteiligungen Holding GmbH, Germany, acquired the UK postal company **Speedmail International Limited** (Speedmail) for the purposes of expanding the international business activities of the MAIL Corporate Division. Speedmail operates in the national UK mail market, where it focuses on the Greater London Area, but also transports international business mail to and from the UK. The purchase price for 100% of the shares amounted to around €8 million. First-time consolidation resulted in goodwill of €8 million as of December 31, 2004.

In April 2004, Deutsche Post World Net paid €22 million, via its subsidiary Deutsche Post International B.V., Netherlands, to increase the 70% stake it acquired in **Interlanden B.V.** (Interlanden) in 2003 to 100%. Interlanden is a mail services company in the Netherlands specializing in unaddressed mailings from business customers. Goodwill amounted to €53 million as of December 31, 2004.

Again with the aim of strengthening the international activities of the MAIL Corporate Division, Deutsche Post World Net acquired two mail services companies in the USA. **SmartMail Holdings LCC and subsidiaries** (SmartMail), which were acquired by Global Mail Inc., USA, have been part of Deutsche Post World Net since May 2004. SmartMail provides transport and sorting services in the field of flats and small parcels. A purchase price of €315 million was paid for 100% of the shares. Goodwill amounted to €265 million as of December 31, 2004.

Selected assets and liabilities of QuikPak Inc., USA (QuikPak) were acquired as part of an asset deal and incorporated into SmartMail with effect from June 28, 2004. The purchase price paid amounted to €67 million.

Significant acquisitions and the first-time consolidation of subsidiaries in the MAIL Corporate Division had the following effect on the net assets, financial position, and results of operations:

MAIL [1] in €m	Speedmail	SmartMail (including QuikPak)
Assets	3	142
Liabilities and provisions	1	3
Revenue	9	118
EBITA	1	–7

[1] Amounts as of December 31, 2004 (consolidated amounts)

EXPRESS

In September 2004, Deutsche Post World Net acquired the remaining 25% of the shares in **Narrondo Desarrollo, S.L.** (Guipuzcoana), Spain. Goodwill amounted to €420 million as of December 31, 2004.

DHL Sinotrans International Air Courier Ltd., China (DHL Sinotrans), which was previously proportionately consolidated, is reported as a fully consolidated company as of January 1, 2004.

Deutsche Post World Net paid around €6 million for a further 20% of **DHL Korea Limited**, Korea (DHL Korea), which was previously included as an associate. With the stake now at 50%, DHL Korea is reported as a fully consolidated company with effect from January 1, 2004. Goodwill amounted to €15 million as of December 31, 2004.

The consolidation measures in the EXPRESS Corporate Division had the following effect on the net assets, financial position, and results of operations of the Group:

EXPRESS [1] in €m	DHL Korea	DHL Sinotrans [2]
Assets	35	54
Liabilities and provisions	24	22
Revenue	175	194
EBITA	27	29

[1] Amounts as of December 31, 2004 (consolidated amounts)
[2] Amounts at 50%, since proportionately consolidated in the previous year

Overall, around €810 million was spent on acquisitions in fiscal year 2004 (previous year: €1.5 billion). The purchase prices of the companies acquired were settled exclusively on a cash basis. Further details of cash flows can be found in note 44.

66 subsidiaries, 1 joint venture, and 7 associates have been deconsolidated since December 31, 2003. Of these, 10 were sold, 31 merged, 16 liquidated and 17 companies subject to a change in the method of inclusion or consolidation. In most cases, this relates to the disposal of companies of the Danzas Chemicals group. The effects were as follows:

Effects of deconsolidation in €m	Total
Assets	53
Liabilities and provisions	50
Revenue	28
Effect of deconsolidation	1

A list of significant subsidiaries, joint ventures, and associates is presented in note 50. A complete list of Deutsche Post AG's shareholdings has been filed with the commercial register of the Bonn Local Court.

Joint ventures

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

Joint ventures [1] in €m	2003	2004
Noncurrent assets	10	0
Current assets	39	2
Liabilities and provisions	18	2
Revenue	355	3
EBITA	32	0

[1] Proportionate amounts; all figures as of December 31

The consolidated joint ventures in fiscal year 2004 relate primarily to Danzas DV LLC, Russia. DHL Sinotrans, which was included here in the previous year, was fully consolidated with effect from January 1, 2004.

4 Significant transactions

In addition to the acquisitions cited in note 3 "Consolidated group", the following significant transactions affected the Group's net assets, financial position, and results of operations in fiscal year 2004:

IPO of Deutsche Postbank AG

In June 2004, Deutsche Postbank Beteiligungs GmbH, a wholly-owned subsidiary of Deutsche Post AG, sold 54,499,999 shares in Deutsche Postbank AG in a public offering in Germany and in private placements worldwide. In the course of the transaction, the entire share capital of Deutsche Postbank AG (164,000,000 shares in total) was admitted to the official market on the German stock exchanges. By placing the shares, Deutsche Post AG reduced its stake in Deutsche Postbank AG by 33.23%, from 100% to 66.77%, and generated gross proceeds of around €1.6 billion. The sale of these shares lifted the Group's EBITA by €75 million, with other operating income increasing by €92 million and other operating expenses by €17 million. As Deutsche Post AG continues to hold 66.77% of the shares, Deutsche Postbank AG remains a fully consolidated subsidiary of Deutsche Post AG. However, the sale of 33.23% of the shares affects the minority interest items in the income statement of Deutsche Post World Net (see note 21) and in the consolidated balance sheet (see note 36).

Exchangeable bond of Deutsche Post Finance B.V., Netherlands, and change of debtor

In July 2004, in connection with the reduction of its stake in Deutsche Postbank AG, Deutsche Post AG issued a €1.08 billion exchangeable bond (including greenshoe) on Deutsche Postbank AG stock to institutional investors via its wholly-owned subsidiary Deutsche Post Finance B.V., Netherlands.

The exchangeable bond was recorded in the balance sheet as of July 2, 2004. In accordance with IAS 39, the bond and the conversion right were reported separately under financial liabilities and other liabilities, respectively. As the substitute debtor of the exchangeable bond issued by Deutsche Post Finance B.V. in Amsterdam on July 2 that year, Deutsche Post AG assumed all the issuer's obligations arising from the issue of the bonds with effect from September 14, 2004. Further details of the bonds can be found in note 40 "Financial liabilities".

Buy-back of bonds

The third quarter of 2004 saw a partial buy-back of bonds issued by Deutsche Post Finance B.V., Netherlands, by Deutsche Post AG. The volume can be seen in the following table:

Bonds in €m	Nominal value	Market price
2007	114	118
2012	71	75
2014	74	76
	259	**269**

Further details of the bonds can be found in note 40 "Financial liabilities".

Pension plan curtailments

Income from plan curtailments amounted to €481 million in fiscal year 2004. This related mainly to the change in index-linking of the VAP pensions (occupational pension provision). In accordance with IAS 19.109, this change represents a curtailment, and its effects are recognized in the income statement in the year in which they arise. Deutsche Post AG's staff costs consequently fell by €352 million, those of Deutsche Postbank AG by €32 million.

Addition to restructuring provisions in staff costs

At the same time, Deutsche Post AG's staff costs rose by €157 million due to an addition to the restructuring provisions in staff costs. This relates to a benefit plan resulting from the termination of employment relationships that was adopted by the Board of Management in 2002 and modified in 2004. This plan provides for a reduction of the workforce by offering transitional benefits and severance payments.

5 A look forward to IFRS changes for fiscal year 2005

In fiscal year 2004, the IASB published both revised standards (IAS Improvements Project) and new IFRS. Deutsche Post World Net will adopt all the new and revised standards from January 1, 2005, with the exception of IFRS 2 (Share-based Payment) and IFRS 3 (Business Combinations). IFRS 3 must be applied to new acquisitions made on or after April 1, 2004, as from that date.

The following paragraphs outline the material changes and the material effects on the net assets, financial position, results of operations, and reporting structure that arise due to the adoption of the revised and new IFRS from January 1, 2005, onwards.

IAS 1 (Revised 2004): Presentation of Financial Statements

Under the revised IAS 1, the balance sheet structure will be changed to show items classified by maturity. Both assets and liabilities must be classified as current or noncurrent. Classification on the basis of liquidity, in line with the *Handelsgesetzbuch* (German Commercial Code), will cease to apply.

Investment property, which was previously carried as land and buildings under property, plant and equipment, must in future be reported as a separate balance sheet item.

The interests of non-Group shareholders (minority interest) will no longer be reported as a balance sheet item between equity and liabilities, but as a separate item within equity. The change in the minority interest will be shown in the statement of changes in equity. As a result, the equity ratio will change.

IAS 32 (Revised 2004): Financial Instruments: Disclosure and Presentation and IAS 39 (Revised 2004): Financial Instruments: Recognition and Measurement

The key changes arising from the application of the new pronouncements, in particular for the Deutsche Postbank group, as from fiscal year 2005 relate to the more detailed accounting treatment for impairment losses on equities. Under IAS 39.31 sentence 2 (revised 2004), a significant or prolonged decline in the fair value of an equity instrument held by an enterprise below its cost now represents objective evidence of impairment. The retrospective application of this new standard entails the recognition of cumulative impairment losses on equities of approximately €429 million. This amount will be reclassified in equity from the revaluation reverse to retained earnings.

IFRS 3: Business Combinations in conjunction with IAS 36 (Revised 2004): Impairment of Assets and IAS 38 (Revised 2004): Intangible Assets

In March 2004, the IASB published the reporting standard IFRS 3. IFRS 3 is part of a fundamental change in the reporting standards applicable to acquisitions, the first-time recognition of goodwill arising from business combinations, and the impairment of goodwill in subsequent years. IFRS 3 replaces IAS 22 and modifies IAS 36 and IAS 38.

IFRS 3 follows what is termed the "impairment-only approach" and stipulates that goodwill must subsequently be measured at cost less any cumulative impairment. Therefore, under IFRS 3, purchased goodwill may not be amortized; rather, it must be tested for impairment annually in accordance with IAS 36, irrespective of whether there are indications that it may be impaired. Additionally, it remains the case that an impairment test must be performed if there are indications of impairment. IFRS 3 must be applied to all acquisitions made from April 1, 2004, onwards. From January 1, 2005, Deutsche Post World Net is also obliged to apply IFRS 3 in recognizing earlier acquisitions in subsequent periods. Goodwill previously amortized by the Group will then only be written down on the basis of the carrying amount determined for its subsequent recognition as of December 31, 2004, if an impairment test in accordance with IAS 36 confirms that it is impaired.

As a result of the fact that goodwill will no longer be amortized, Deutsche Post World Net expects a positive effect on the Group's EBIT, provided it does not have to recognize any impairment losses on goodwill. However, following the adoption of IFRS 3, impairment of goodwill could lead to major fluctuations in the Group's EBIT, which could have a material effect on the Group's results of operations.

6 Foreign currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the functional currency method. The functional currency of all foreign companies of Deutsche Post World Net is the local currency, as the companies operate independently in terms of their financial and business activities, and organizational structures. Assets and liabilities are therefore translated at the closing rates, while income and expenses are generally translated at average rates for the year. The resulting currency translation differences are taken directly to equity. Differences of €28 million (previous year: €–102 million) were recognized directly in equity in fiscal year 2004 (see also the statement of changes in equity).

Goodwill resulting from the capital consolidation of foreign companies is translated at the rates prevailing at the transaction dates and amortized over its useful life up to December 31, 2004.

The following exchange rates were generally applied to foreign currency translation in the Group:

Foreign currency translation	Currency	Closing rates		Average rates	
		2003 €1 =	2004 €1 =	2003 €1 =	2004 €1 =
USA	USD	1.24990	1.3612	1.13080	1.2433
Switzerland	CHF	1.55940	1.5443	1.52090	1.5438
United Kingdom	GBP	0.70390	0.709	0.69190	0.6785
Sweden	SEK	9.06880	9.0041	9.12450	9.1253

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

In accordance with IAS 21, receivables and liabilities in the single-entity financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate. Currency translation differences are recognized in other operating income and expenses in the income statement. In fiscal year 2004, other operating income of €88 million (previous year: €125 million) and other operating expenses of €85 million (previous year: €71 million) resulted from currency translation differences.

7 Accounting policies

Revenue and expense recognition

Revenue and income from banking transactions, as well as other operating income, is generally recognized when services are rendered, the amount of revenue and income can be reliably measured and it is probable that the economic benefits from the transactions will flow to the Group.

Operating expenses are recognized when the service is utilized or when the expenses are incurred.

Intangible assets

Purchased intangible assets are carried at cost. Internally generated intangible assets are carried at cost if the criteria for recognition as an asset are satisfied. This is the case in particular if future economic benefits are expected to flow from the assets. At Deutsche Post World Net, these relate to internally developed software. In addition to direct costs, the production cost of internally developed software includes an appropriate share of attributable production overheads. Any borrowing costs are not included in production costs. Value added tax arising in conjunction with the acquisition or production of intangible assets is included in the cost if it cannot be deducted as input tax.

Intangible assets are reduced by straight-line amortization over their useful lives. Capitalized software is amortized over two to six years, licenses over the term of the license agreement. Intangible assets are written down if there are indications of impairment and if the recoverable amount is lower than amortized cost. The write-downs are reversed if the reasons for the impairment losses no longer apply.

Up to December 31, 2004, goodwill that arose up until March 31, 2004, including goodwill from capital consolidation, was capitalized in accordance with IAS 22 and reduced by straight-line amortization over a useful life of 15 to 20 years. The useful life was determined in particular by the strategic importance to the Group of the underlying acquisitions. Additions during the year under review were amortized ratably. Goodwill was tested for impairment on a regular basis. If there were indications of impairment, appropriate impairment tests were carried out. This procedure only applied until December 31, 2004, when it was replaced by IFRS 3 (Business Combinations). For detailed information, see also note 2 "Significant differences between International Financial Reporting Standards and German accounting principles" and note 5 "A look forward to IFRS changes for fiscal year 2005".

Property, plant and equipment

Property, plant and equipment is carried at cost and reduced by depreciation for wear and tear. In addition to direct costs, production costs include an appropriate share of attributable production overheads. Borrowing costs are not included in production costs but are expensed directly. Value added tax arising in conjunction with the acquisition or production of items of property, plant and equipment is included in the cost if it cannot be deducted as input tax. Depreciation is generally charged using the straight-line method. Deutsche Post World Net applies the following useful lives:

Useful lives in years	2003	2004
Buildings	6 to 80	5 to 50
Technical equipment and machinery	3 to 13	3 to 10
Passenger vehicles	3 to 8	4 to 6
Trucks	3 to 8	5 to 8
Aircraft	15 to 20	15 to 20
Other vehicles	4 to 10	3 to 8
IT systems	3 to 10	3 to 8
Other operating and office equipment	4 to 10	3 to 10

Items of property, plant and equipment are written down if there are indications of impairment and if the recoverable amount is lower than amortized cost. The write-downs are reversed if the reasons for the impairment losses no longer apply.

Finance leases

In accordance with IAS 17, beneficial ownership of leased assets is transferred to the lessee if the lessee bears substantially all the risk and rewards incident to ownership of the asset. Where Deutsche Post World Net is the beneficial owner, the asset is capitalized at the date of inception of the lease either at the fair value or at the present value of the minimum lease payments, if this is less than the fair value. Depreciation methods and useful lives correspond to those of comparable purchased assets.

Noncurrent financial assets

Investments in associates are carried at equity in accordance with IAS 28 (Accounting for Investments in Associates). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investments is increased or reduced to reflect changes in the equity of the associates attributable to the investments of Deutsche Post AG. Goodwill that is contained in the carrying amounts of the investments and that was acquired before March 31, 2004, is treated in accordance with IAS 22 (up to December 31, 2004), while goodwill arising after this date is accounted for in accordance with IFRS 3. For further details, see notes 2 and 5.

Other noncurrent financial assets include in particular investments in unconsolidated subsidiaries, financial instruments, and other equity investments. Under IAS 39, noncurrent financial assets are classified as "available for sale" or "held to maturity", or as "loans and receivables originated by the enterprise" (originated loans and receivables).

Available-for-sale financial instruments are carried at their fair value, where this can be measured reliably. Changes in fair value between reporting dates are generally recognized directly in the revaluation reserve. This reserve is reversed to income either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls more than temporarily below their cost.

Held-to-maturity financial instruments are carried at amortized cost at the balance sheet date. Impairment losses are charged to income if the recoverable amount falls below the carrying amount.

Financial instruments classified as loans and receivables originated by the enterprise, which include long-term loans, are measured at amortized cost.

Inventories

Finished goods and goods purchased and held for resale are carried at the lower of cost or net realizable value. Valuation allowances are charged for obsolete inventories and for slow-moving goods.

Receivables and other assets

Unless held for trading, receivables and other assets are carried at amortized cost at the balance sheet date. Doubtful receivables are carried at their principal amount, less appropriate specific allowances.

All financial instruments held for trading and derivatives are assigned to the "trading" category. They are generally measured at their fair values, and all changes in fair value are recognized in income. Under IAS 39, this applies to all derivatives that do not satisfy the strict criteria for hedge accounting under IAS 39.142. Fair value measurement is applied irrespective of the effectiveness of the hedges. These financial instruments are accounted for at the trade date. Note 45 contains detailed disclosures on hedges.

Current financial instruments

Current financial instruments are available-for-sale financial assets, and are carried at their fair values at the balance sheet date. Unrealized gains or losses from remeasurement are generally credited or charged directly to the revaluation reserve in equity. This reserve is reversed to income either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls more than temporarily below their cost. The financial instruments are accounted for at the settlement date.

Receivables and other securities and liabilities from financial services

Originated loans and receivables are carried at amortized cost. Purchased loans and receivables classified as held to maturity are measured at cost. Purchased loans and receivables classified as available for sale or held for trading are measured at their fair values. Held-to-maturity and originated securities are measured at amortized cost, while available-for-sale securities and securities held for trading are measured at their fair values. Liabilities from financial services are carried at amortized cost. Differences between the amount received and the amount repayable (premiums, discounts) are recognized or amortized over the remaining maturities of the liabilities. Proportionate accrued interest is reported together with the associated liability.

Cash and cash equivalents

Cash and cash equivalents are carried at their principal amount.

Stock option plan

The stock option plan for executives is measured using investment techniques by applying option pricing models. Options are measured at their fair value on the grant date. The option price thus calculated is recognized in income under staff costs and spread over the term of the options.

Provisions

Provisions for pensions are measured using the projected unit credit method prescribed by IAS 19 for defined benefit plans. The interest component of pension expenses is reported under net finance costs.

Other provisions are recognized for liabilities to third parties arising from past events, whose settlement is expected to result in an outflow of economic benefits and that can be measured reliably. They represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk and the time until settlement of the obligation. The interest cost on discounted staff-related provisions is carried under net finance costs.

Liabilities

Liabilities from finance leases are carried at the lower of the present value of the lease payments or the market value of the capitalized leased asset, while other liabilities are carried at amortized cost.

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 (Income Taxes). In compliance with IAS 12.24 (b) and IAS 12.15 (b), deferred tax assets or liabilities were only recognized for temporary differences between the carrying amounts in the financial accounts and in the tax accounts of Deutsche Post AG and Deutsche Postbank AG where the differences arose after January 1, 1995. No deferred tax assets or liabilities can be recognized for temporary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG and Deutsche Postbank AG as of January 1, 1995. For further information on deferred taxes from tax loss carryforwards, see note 19 "Income tax expense".

In accordance with IAS 12, deferred tax assets and liabilities are calculated by using the tax rates expected to be enacted when the items reverse. The tax rate of 39.9% applied to German Group companies comprises the standard tax rate plus the solidarity surcharge, as well as an average trade tax rate. Foreign Group companies use their individual income tax rate to calculate deferred tax items. The income tax rates applied for foreign companies range from 15% to 48%.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognized as liabilities (see note 46).

8 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and its consolidated subsidiaries, joint ventures and associates, which were prepared in accordance with uniform accounting policies as of December 31, 2004, and audited by independent auditors.

First-time consolidation of subsidiaries uses the purchase method of accounting in accordance with IAS 22 (Business Combinations), or the revaluation model in accordance with IFRS 3 for subsidiaries acquired from March 31, 2004.

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

Companies on which the parent can exercise significant influence (associates) are carried at equity using the purchase method of accounting. Any goodwill is reported under investments in associates.

Intragroup revenue, other operating income and expenses, as well as receivables, liabilities, and provisions between consolidated companies, are eliminated. Intercompany profits or losses from intragroup deliveries and services not realized by sale to third parties are eliminated.

9 Segment reporting

Segments by corporate division	MAIL [1][2][3]		EXPRESS [1][4]		LOGISTICS		FINANCIAL SERVICES [1]		Other/ Consolidation [1][2][3][4]		Group	
in €m	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
External revenue	11,939	12,096	15,124	17,629	5,815	6,681	7,021	6,700	118	62	40,017	43,168
Internal revenue	556	651	169	163	63	105	640	649	–1,428	–1,568	0	0
Total revenue	12,495	12,747	15,293	17,792	5,878	6,786	7,661	7,349	–1,310	–1,506	40,017	43,168
Profit or loss from operating activities before goodwill amortization (EBITA)	2,082	2,085	365	367	206	281	568	692	–246	–78	2,975	3,347
Goodwill amortization	15	13	213	256	90	99	1	2	0	0	319	370
Profit or loss from operating activities after goodwill amortization (EBIT)	2,067	2,072	152	111	116	182	567	690	–246	–78	2,656	2,977
Net income/loss from associates	0	0	–28	4	0	0	0	0	0	0	–28	4
Segment assets	4,055	4,198	11,814	12,597	2,910	3,156	131,080	126,804	–469	–687	149,390	146,068
Investments in associates	0	21	63	53	16	11	0	0	0	–3	79	82
Segment liabilities including non-interest-bearing provisions	2,040	2,076	3,678	3,768	1,074	1,132	124,194	117,959	319	871	131,305	125,806
Segment investments	270	879	2,798	1,583	287	138	202	204	–33	–75	3,524	2,729
Depreciation, amortization and write-downs	429	459	787	856	156	175	273	258	66	73	1,711	1,821
Other non-cash expenses	143	157	153	101	17	14	320	287	63	88	696	647
Employees [5]	136,028	134,004	129,045	140,284	31,296	31,696	33,490	32,293	10,119	10,394	339,978	348,671

1) Prior-period amounts restated due to restructuring of Mail International Business Division and other product portfolio optimization measures
2) Prior-period amounts restated due to reclassification of Deutsche Post Com GmbH from Other/Consolidation to the MAIL Corporate Division
3) Prior-period amounts restated due to reclassification of interServ Gesellschaft für Personal- und Beraterdienstleistungen mbH from the MAIL Corporate Division to Other/Consolidation
4) Prior-period amounts restated due to reclassification of DHL Fulfilment GmbH from Other/Consolidation to the EXPRESS Corporate Division
5) Number of employees calculated as averages for fiscal years 2003 and 2004 (FTEs)

Segments by region	Germany		Europe excluding Germany		Americas		Asia/Pacific		Other regions		Group	
in €m	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
External revenue	22,729	22,583	10,334	10,990	4,419	6,426	1,990	2,542	545	627	40,017	43,168
Segment assets	126,253	122,868	15,306	15,264	6,445	6,657	819	998	567	281	149,390	146,068
Segment investments	516	854	1,109	1,000	1,725	726	87	128	87	21	3,524	2,729

Downloadable spreadsheet. Online Annual Report

9.1 Disclosures on the structure of segment reporting

Segment reporting was prepared in accordance with IAS 14 (Segment Reporting). The presentation of specific data from the consolidated financial statements is classified by corporate divisions and regions, based on the Group's internal reporting and organizational structure. Segment reporting is designed to enable a transparent view of the earnings power, net assets, and financial position of the individual components of the Group's activities and regions.

Reflecting the Group's predominant organizational structure, the primary reporting format is based on the corporate divisions. Deutsche Post World Net distinguishes between the following corporate divisions:

MAIL

In addition to the transport and delivery of written communications, the MAIL Corporate Division is increasingly positioning itself as an end-to-end service provider for the management of written communications. The MAIL Corporate Division is divided into the following business divisions: Mail Communication, Direct Marketing, Press Distribution, Value Added Services and Mail International. Since 2003, the Mail International Business Division has also included the activities of Global Mail, which used to be reported under the EXPRESS Corporate Division. Additional product portfolio optimization measures were taken as well.

EXPRESS

The EXPRESS Corporate Division offers national and international courier, express and parcel services (DHL Express), as well as pan-European ground transport (DHL Freight) under the DHL brand. Since 2003, the Global Mail Business Division has been reported under the Mail International Business Division in the MAIL Corporate Division. Additional product portfolio optimization measures were also taken. With effect from December 31, 2004, Airborne Inc.'s DHL@home Business Division was sold to Global Mail Inc., USA. The EXPRESS Corporate Division recorded a gain on disposal of €50 million from this transaction.

LOGISTICS

The LOGISTICS Corporate Division comprises the national and international logistics services of the DHL Danzas Air & Ocean and DHL Solutions Business Divisions under the DHL brand. Customers are offered a one-stop end-to-end service: air and ocean freight, as well as customized logistics solutions.

FINANCIAL SERVICES

The FINANCIAL SERVICES Corporate Division consists in particular of the activities of the Deutsche Postbank group, which offers a wide range of standardized banking services, including payments, deposits, retail and corporate banking, fund products, and investment securities services. The FINANCIAL SERVICES Corporate Division also includes the retail outlets, the retail outlet networks of Deutsche Post Retail and Deutsche Post Vertriebsgesellschaften, and the Pension Service.

The following table shows a breakdown of the FINANCIAL SERVICES Corporate Division's EBITA by segment component:

Reconciliation to EBITA of FINANCIAL SERVICES Corporate Division in €m	Deutsche Postbank group 2003	Other segment components 2003	Total 2003	Deutsche Postbank group 2004	Other segment components 2004	Total 2004
EBITA of the FINANCIAL SERVICES Corporate Division	532	36[1]	568	660	32	**692**

[1] Prior-period amount restated due to product portfolio optimization measures

Other/Consolidation

The amounts for the corporate divisions are presented after consolidating intersegment transactions, which are eliminated in the Other/Consolidation column. The Other/Consolidation column also includes activities not attributable to specific corporate divisions, such as real estate and housing activities.

9.2 Disclosures on the segment amounts by corporate division

- External revenue is the revenue generated by the corporate divisions from non-Group third parties.
- Internal revenue is revenue generated with other corporate divisions. Transfer prices for intragroup revenue are determined on an arm's length basis. Transfer prices for services for which no external market exists are based on incremental costs. The additional costs resulting from Deutsche Post AG's postal universal service obligation (nationwide retail outlet network, delivery every working day), and from its obligation to assume the compensation structure as the legal successor to Deutsche Bundespost, are allocated to the MAIL Corporate Division.
- The segment income and expense of the FINANCIAL SERVICES Corporate Division also include the Deutsche Postbank group's interest, fee and commission income and expense, because these are allocated to the business operations of this corporate division.
- Segment assets are composed of noncurrent assets (excluding noncurrent financial assets) and current assets (excluding income tax receivables, cash and cash equivalents, and current financial instruments) including receivables and other securities from financial services. Purchased goodwill is allocated to the corporate divisions.

- Segment liabilities relate to non-interest-bearing provisions and liabilities (excluding income tax liabilities) and to liabilities from financial services.
- Segment investments relate to intangible assets (including purchased goodwill) and property, plant and equipment.
- Depreciation, amortization and write-downs relate to the segment assets allocated to the individual corporate divisions.
- Other non-cash expenses relate primarily to expenses from the recognition of provisions.

9.3 Disclosures on the segment amounts by region

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

Income statement disclosures

10 Revenue and income from banking transactions

Revenue and income from banking transactions is composed of the following items:

Revenue and income from banking transactions in €m	2003	2004
Revenue	33,345	36,781
Income from banking transactions	6,672	6,387
	40,017	**43,168**

As in the prior-year period, there was no revenue or income from banking transactions in fiscal year 2004 that was generated on the basis of barter transactions.

The increase in revenue is primarily due to the revenue contribution from companies consolidated for the first time or in full in the year under review, such as DHL Sinotrans, DHL Korea, SmartMail, Securicor and Airborne Inc. (see note 3).

The further classification of revenue by corporate division (business segment) and the allocation of revenue and income from banking transactions to geographical regions is presented in the segment reporting (see note 9).

The following table shows the composition of income from banking transactions:

Income from banking transactions in €m	2003	2004
Interest income		
Interest income from credit and money market transactions	3,190	2,976
Interest income from fixed-income securities and book-entry securities	2,115	1,971
Income from equities and other non-fixed-income securities	35	77
Other interest income	621	481
	5,961	**5,505**
Commission income	528	684
Net trading income	183	198
	6,672	**6,387**

The decrease in income from banking transactions is largely due to the fall in interest rates.

11 Other operating income

Other operating income is composed of the following items:

Other operating income in €m	2003	2004
Income from investment securities and insurance business (financial services)	85	304
Income from the reversal of provisions	246	163
Gains on disposal of noncurrent assets	177	115
Income from fees and reimbursements	32	93
Income from Deutsche Postbank AG IPO	0	92
Rental and lease income	101	91
Insurance income	61	91
Income from currency translation differences	125	88
Income from the derecognition of liabilities	96	51
Income from prior-period billings	61	44
Income from work performed and capitalized	15	29
Income from vehicle center services	24	25
Income from loss compensation	35	20
Reversals of impairment losses on receivables and other assets	15	12
Income from pre-tax adjustments	0	11
Income from housing management cost equalization	10	10
Miscellaneous	120	126
	1,203	**1,365**

The increase in other operating income is due to the one-time earnings contribution from Deutsche Postbank AG's IPO of €92 million (see also note 4 "Significant transactions") as well as the rise in exchange rate gains realized on income from investment securities and insurance business (financial services).

Miscellaneous other operating income includes a number of individual items that do not exceed €10 million.

12 Materials expense and expenses from banking transactions

The materials expense and expenses from banking transactions are composed of the following items:

Materials expense and expenses from banking transactions in €m	2003	2004
Materials expense	14,084	16,509
Expenses from banking transactions	4,382	4,037
	18,466	**20,546**

The materials expense is broken down as follows:

Materials expense in €m	2003	2004
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Fuel, repair materials	412	559
Office supplies	346	398
Aircraft fuel	192	243
Goods purchased and held for resale	174	171
Other expenses	44	10
	1,168	**1,381**
Cost of purchased services		
Transportation costs	9,919	11,423
Cost of temporary staff	778	1,490
Maintenance costs	706	738
IT services	765	677
Commissions paid to postal agencies	218	211
Energy	194	156
Prior-period expenses	20	11
Other purchased services	316	422
	12,916	**15,128**
	14,084	**16,509**

The increase in the materials expense relates firstly to the rise in fuel prices and transportation costs (in particular resulting from the growing outsourcing of transportation services), and secondly to the acquisition of Airborne Inc. and the consolidation in full of Securicor, which is reflected in particular in the cost of temporary staff (subcontractor services for Airborne Inc.).

In addition to the amount of €142 million that is primarily due to a service agreement that relates to the operation of the Wilmington hub and that was concluded between Airborne Inc. and the spun-off airline ABX Air Inc. (ABX), USA, other purchased services include a number of individual items that do not exceed €10 million.

Expenses from banking transactions are composed of the following items:

Expenses from banking transactions in €m	2003	2004
Interest expense on liabilities	1,970	1,963
Interest expense on securitized liabilities	1,348	934
Interest expense on subordinated debt	85	103
Commission expense	73	94
Other interest expenses	906	943
	4,382	**4,037**

The reduction in expenses from banking transactions is largely due to the fall in interest rates. The interest expense on securitized liabilities fell as a result of the reduced volume (see also note 42 “Liabilities from financial services”).

13 Staff costs/Employees

Staff costs are composed of the following items:

Staff costs in €m	2003	2004
Wages, salaries and compensation	10,552	11,334
thereof expenses for options under the stock option plans	21	31
thereof expenses for SARs under the stock option plans	1	2
Social security contributions	1,589	1,630
Retirement benefit expenses	928	514
Welfare and assistance benefits	260	266
	13,329	**13,744**

The increase in staff costs as against the previous year is mainly due to the acquisition of Airborne Inc. and the consolidation in full of Securicor as well as higher employee wages, salaries and compensation.

The fall in retirement benefit expenses results from the planned reduction of VAP pensions (further details can be found in note 4 “Significant transactions”). Retirement benefit expenses also include €650 million (previous year: €664 million) relating to contributions by Deutsche Post AG and €67 million (previous year: €77 million) relating to contributions by Deutsche Postbank AG to Bundes-Pensions-Service für Post und Telekommunikation e.V. Further details can be found in note 37 “Provisions for pensions and other employee benefits”.

Staff costs relate mainly to wages, salaries and compensation, as well as all other benefits paid to employees of the Group for their services in the year under review.

Social security contributions relate in particular to statutory social security contributions paid by employers.

Retirement benefit expenses relate to current and former employees or their surviving dependants. These expenses consist of additions to pension provisions, employer contributions to supplementary occupational pension plans and retirement benefit payments by employers for their employees.

The average number of employees of Deutsche Post World Net in the year under review, classified by employee groups, was as follows:

Employees	2003	2004
Hourly workers and salaried employees	298,357	307,843
Civil servants	70,130	67,618
Trainees	6,609	6,032
	375,096	**381,493**

The number of full-time equivalents as of December 31, 2004, was 346,410 employees (December 31, 2003: 348,781 employees). The employees of companies acquired or disposed of during the year under review were included ratably. The employees of the joint venture companies have been included proportionately.

14 Depreciation and amortization expense excluding goodwill amortization

Depreciation and amortization charges are composed of the following items:

Depreciation and amortization expense in €m	2003	2004
Amortization of intangible assets, excluding goodwill amortization	240	270
Depreciation of property, plant and equipment		
Buildings	241	261
Technical equipment and machinery	246	253
Other equipment, operating and office equipment	585	589
Aircraft	80	78
	1,392	**1,451**

Depreciation and amortization charges in fiscal year 2004 include write-downs of land and buildings totaling €35 million and relate to Deutsche Post AG.

The increase in the depreciation and amortization expense is largely due to the acquisitions made in fiscal year 2004.

15 Other operating expenses

Other operating expenses are composed of the following items:

Other operating expenses in €m	2003	2004
Rental and lease expenses	1,421	1,516
Public relations expenses	475	564
Legal, consulting and audit costs	449	517
Travel and training costs	350	393
Telecommunication costs	248	287
Insurance costs	214	271
Other business taxes	153	214
Cost of purchased cleaning, transportation and security services	179	196
Allowance for losses on loans and advances (financial services)	155	185
Write-downs of current assets	117	149
Addition to provisions	105	110
Entertainment and corporate hospitality expenses	84	99
Cost of asset disposals	53	89
Expenses from currency translation differences	71	85
Services provided by Bundesanstalt für Post und Telekommunikation	104	77
Refunds and compensation payments	74	68
Prior-period other operating expenses	45	55
Commissions paid	29	54
Voluntary social benefits	99	46
Other property-related expenses	32	44
Warranty expenses	51	33
Contributions and fees	33	29
Customs duties not oncharged	29	28
Monetary transaction costs	19	22
Expenses from Deutsche Postbank AG IPO	0	17
Donations	10	10
Losses on disposal of current assets	8	9
Miscellaneous	451	278
	5,058	**5,445**

The rise in other operating expenses is mainly due to the acquisition of Airborne Inc. and the consolidation in full of Securicor.

Miscellaneous other operating expenses include a number of individual items that do not exceed €10 million.

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

16 Goodwill amortization

The following table gives an overview of the amortization of and impairment losses on goodwill:

Goodwill amortization in €m	2003	2004
Goodwill amortization	319	370
thereof impairment losses	8	0

The rise in goodwill amortization mainly reflects amortization on Airborne Inc.'s goodwill. The impairment loss of €8 million charged on goodwill in the previous year related to DHL Express (Austria) Ges.m.b.H., Austria.

17 Net income/loss from associates

Investments in companies on which a significant influence can be exercised and which are included at equity primarily contributed as follows to net finance costs:

Equity-accounted investments in €m	2003	2004
trans-o-flex Schnell-Lieferdienst GmbH (trans-o-flex), Germany	1	3
DHL Airways Inc., USA (now ASTAR Air Cargo)	–29	0
Other Group companies	0	1
	–28	4

The net income in fiscal year 2004 was mainly due to the positive earnings contribution from trans-o-flex. The net loss in the previous year relates primarily to the loss from the sale of the interest in DHL Airways Inc., USA (now ASTAR Air Cargo).

18 Net other finance costs

The structure of net other finance costs is as follows:

Net other finance costs in €m	2003	2004
Interest expenses	–862	–1,169
thereof interest cost on discounted provisions for pensions and other provisions	–578	–638
Interest income	131	362
Income from other equity investments and financial instruments	11	24
Cost of loss absorption	–7	–4
Write-downs of financial instruments	–7	–22
Miscellaneous net other financial income/ net other finance costs	21	–16
	–713	–825

The higher net other finance costs are due to the increase in interest cost, particularly on discounted provisions for pensions and other provisions, as well as to the subsequent expense in the amount of €27 million that arose from the sale of DHL Airways Inc., USA (now ASTAR Air Cargo) reported under miscellaneous net other financial income/other finance costs.

Income and expenses from the Deutsche Postbank group's banking transactions are not carried under net other finance costs. Income – in particular in the form of interest, fee and commission income, and income from equities and securities – is carried under revenue and income from banking transactions (see note 10), while expenses – in particular interest, fee and commission expenses – are carried under materials expense and expenses from banking transactions (see note 12).

19 Income tax expense

The income tax expense is composed of the following items:

Income tax expense in €m	2003	2004
Current income tax expense	–213	–251
Current recoverable income tax	13	13
	–200	–238
Deferred tax expense from temporary differences	–42	–147
Deferred tax expense from the reduction in deferred tax assets from tax loss carryforwards	–331	–46
	–373	–193
	–573	–431

The income tax expense fell by €142 million, primarily as a result of the reduction in the provision for additional taxes resulting from external tax audits at Deutsche Post AG, which led to a Group tax rate of 20.0% (previous year: 29.9%).

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

Reconciliation in €m	2003	2004
Consolidated net profit before minorities and income taxes	**1,915**	**2,156**
Expected income tax expense	764	860
Deferred tax assets from temporary differences not recognized for		
Initial differences	–252	–264
Goodwill amortization	127	148
Restructuring provisions	–119	–68
Deferred tax assets of foreign Group companies not recognized for tax loss carryforwards	71	192
Effect of taxes from previous years	0	–332
Tax-exempt income and non-deductible expenses, effects from section 8 b KStG	7	–83
Differences in tax rates at foreign companies	–9	–27
Other	–16	5
Effective income tax expense	**573**	**431**

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

In accordance with IAS 12.88 in conjunction with IAS 37.33, Deutsche Post AG has opted not to recognize deferred taxes from loss carryforwards arising from the potential recognition of goodwill and its amortization in the opening tax accounts, as there is still substantial uncertainty regarding the measurement amount and the possible usability of the goodwill for tax purposes.

The goodwill would have been recognized as of January 1, 1995, the date on which Deutsche Post AG was founded, and amortized over a period of 15 years. Due to the goodwill amortization requirement, accounting for Deutsche Post AG's goodwill in the opening tax accounts would lead to a material reduction in the expected income tax expense.

The remaining temporary differences between the carrying amounts in the IFRS financial statements and in the opening tax accounts amount to €5.0 billion as of December 31, 2004 (previous year: €5.6 billion).

The effects from section 8 b of the KStG (German Corporate Income Tax Act) relate primarily to special funds, shares and equity interests of the Deutsche Postbank group.

20 Net profit for the period before minority interest

In fiscal year 2004, Deutsche Post World Net generated a net profit for the period before minority interest of €1,725 million (previous year: €1,342 million).

21 Minority interest

The minority interest rose by €104 million year-on-year in fiscal year 2004, mainly due to the minorities arising from Deutsche Postbank AG's IPO.

22 Earnings per share

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share) by dividing consolidated net profit by the average number of shares. Basic earnings per share for fiscal year 2004 were €1.43 (previous year: €1.18).

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. There were 29,854,042 stock options for executives at the reporting date (previous year: 25,701,258), of which 918,661 were potentially dilutive (previous year: 213,991). Diluted earnings per share were the same as basic earnings per share in the year under review.

23 Dividend per share

A dividend of €556 million is being proposed for fiscal year 2004 (previous year: €490 million). Based on the 1,112,800,000 shares recorded in the commercial register, this corresponds to a dividend per share of €0.50 (previous year: €0.44). Further details of the distribution can be found in note 35.

Balance sheet disclosures

24 Intangible assets

Changes in intangible assets in fiscal year 2004 are presented below:

Intangible assets in €m	Internally generated intangible assets	Purchased intangible assets	Goodwill	Advance payments	Total
Historical cost					
Opening balance at January 1, 2004	747	880	4,876	28	6,531
Changes in consolidated group	–1	40	66	57	162
Additions	290	157	587	31	1,065
Reclassifications	0	–1	32	–31	0
Disposals	–49	–39	–2	–1	–91
Currency translation differences	–7	–19	–76	0	–102
Closing balance at December 31, 2004	**980**	**1,018**	**5,483**	**84**	**7,565**
Amortization and impairment losses/Reversals					
Opening balance at January 1, 2004	403	501	–777[1]	0	127
Changes in consolidated group	–1	–1	49	0	47
Amortization and impairment losses	115	155	370	0	640
Reclassifications	1	–6	5	0	0
Disposals	–29	–35	–1	0	–65
Currency translation differences	–4	–7	–19	0	–30
Closing balance at December 31, 2004	**485**	**607**	**–373**	**0**	**719**
Carrying amount at December 31, 2004	**495**	**411**	**5,856**	**84**	**6,846**
Carrying amount at December 31, 2003	344	379	5,653	28	6,404

[1] Balance of goodwill amortization and reversal of negative goodwill

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

At €139 million, the additions to internally generated intangible assets are attributable to Deutsche Post AG and relate to various accounting system development activities, among other things.

The additions to goodwill relate primarily to the acquisition of SmartMail and the increase in the share in Guipuzcoana.

25 Property, plant and equipment

Changes in property, plant and equipment in fiscal year 2004 are presented below:

Property, plant and equipment in €m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Aircraft	Vehicle fleet and transport equipment	Advance payments, assets under development	Total
Historical cost							
Opening balance at January 1, 2004	7,479	2,752	2,706	1,072	1,568	67	15,644
Changes in consolidated group	–9	–27	15	0	–15	1	–35
Additions	217	210	357	96	253	107	1,240
Reclassifications	72	25	–1	0	3	–99	0
Disposals	–345	–55	–263	–147	–234	–13	–1,057
Currency translation differences	–29	–16	–28	–7	–4	0	–84
Closing balance at December 31, 2004	**7,385**	**2,889**	**2,786**	**1,014**	**1,571**	**63**	**15,708**
Depreciation and impairment losses							
Opening balance at January 1, 2004	1,956	1,744	1,924	276	926	0	6,826
Changes in consolidated group	10	6	–15	0	–12	0	–11
Depreciation and impairment losses	261	253	397	78	192	0	1,181
Reversal of impairment losses	0	0	0	0	0	0	0
Reclassifications	0	9	–10	0	1	0	0
Disposals	–103	–44	–239	–95	–205	0	–686
Currency translation differences	–7	–7	–21	–5	–1	0	–41
Closing balance at December 31, 2004	**2,117**	**1,961**	**2,036**	**254**	**901**	**0**	**7,269**
Carrying amount at December 31, 2004	**5,268**	**928**	**750**	**760**	**670**	**63**	**8,439**
Carrying amount at December 31, 2003	5,523	1,008	782	796	642	67	8,818

Advance payments relate only to advance payments on items of property, plant and equipment where Deutsche Post World Net has paid advances in connection with uncompleted transactions. Assets under development relate to items of property, plant and equipment in progress at the balance sheet date for whose production internal or third-party costs have already been incurred.

Items of property, plant and equipment pledged as collateral have a total carrying amount of €1,563 million (previous year: €855 million).

26 Noncurrent financial assets

Changes in noncurrent financial assets in fiscal year 2004 are presented below:

Noncurrent financial assets in €m	Investments in associates	Available for sale			Loans	Total
		Investments in subsidiaries	Noncurrent financial instruments	Other equity investments		
Historical cost						
Opening balance at January 1, 2004	91	32	441	79	174	817
Changes in consolidated group	–24	–4	0	0	15	–13
Additions	28	18	0	3	29	78
Reclassifications	0	6	0	0	–6	0
Disposals	–1	–4	–8	–5	–15	–33
Currency translation differences	0	0	–3	–1	–8	–12
Closing balance at December 31, 2004	**94**	**48**	**430**	**76**	**189**	**837**
Impairment losses						
Opening balance at January 1, 2004	12	0	26	–21	65	82
Changes in consolidated group	–2	0	0	0	0	–2
Impairment losses	2	4	11	0	1	18
Changes in fair value	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Disposals	0	0	–5	0	0	–5
Currency translation differences	0	0	0	0	1	1
Closing balance at December 31, 2004	**12**	**4**	**32**	**–21**	**67**	**94**
Carrying amount at December 31, 2004	**82**	**44**	**398**	**97**	**122**	**743**
Carrying amount at December 31, 2003	79	32	415	100	109	735

€21 million of the additions to investments in associates relates to the acquisition of the Spanish mail service provider Unipost Servicios Generales S.L., Barcelona. In November 2004, Deutsche Post World Net acquired around 38% of the shares for a purchase price of €21 million.

Compared with the market rates of interest prevailing at December 31, 2004, for comparable financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognized in the balance sheet at a present value of €16 million (previous year: €18 million). The principal amount of these loans totals €28 million (previous year: €39 million). For all other originated financial instruments, there were no significant differences between the carrying amounts and the fair values. There is no significant interest rate risk, because most of the instruments bear floating rates of interest at market rates.

Investments in associates and other investees were subject to restraints on disposal in the amount of €0 million (previous year: €4 million).

27 Inventories

Inventories are composed of the following items:

Inventories in €m	2003	2004
Finished goods and goods purchased and held for resale	78	77
Spare parts for aircraft	68	74
Raw materials and supplies	56	65
Work in progress	4	2
Advance payments	12	9
	218	**227**

Standard costs for inventories of postage stamps and spare parts in freight centers amounted to €14 million, as in the previous year. There was no requirement to charge significant valuation allowances on these inventories.

28 Receivables and other assets

Receivables and other assets are composed of the following items:

Receivables and other assets in €m	2003	2004
Trade receivables	3,415	3,732
Prepaid expenses	705	853
Tax receivables	433	636
Derivatives	153	317
Deferred revenue	88	107
Receivables from Group companies	75	56
Net assets from defined contribution pension plans	33	50
Receivables from employees and executive body members	33	39
Rent receivable	30	38
Receivables from sales of assets	58	37
Advance payments	26	34
Receivables from insurance business	20	31
Receivables from loss compensation (recourse claims)	21	25
Creditors with debit balances	28	21
Long-term deposits	16	14
Receivables from residential housing construction pools	0	13
Equalization claim under section 40 DMBilG	25	12
Miscellaneous other assets	325	282
	5,484	**6,297**

The increase in derivatives results mainly from changes in fair values. €64 million of the rise in tax receivables is attributable to the Deutsche Postbank group and relates to Deutsche Postbank AG's capital gains tax asset on the payment (distribution) of DSL Holding's capital to Deutsche Postbank AG.

In addition to receivables from cash-on-delivery (€9 million), receivables from the Bundesanstalt für Post und Telekommunikation (€6 million) and receivables from private postal agencies (€2 million), miscellaneous other assets include a number of individual items that do not exceed €10 million.

The remaining maturities of receivables and other assets are structured as follows:

Maturities in €m	2003	2004
Less than 1 year	4,966	5,814
1 to 5 years	94	215
More than 5 years	424	268
	5,484	**6,297**

In accordance with IAS 39, the fair values as of December 31 were additionally determined for noncurrent receivables measured at historical cost. This did not result in any significant differences between the carrying amounts and the fair values. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

29 Receivables and other securities from financial services

Receivables and other securities from financial services are composed of the following items:

Receivables and other securities from financial services in €m	2003	2004
Loans and advances to other banks		
thereof fair value hedges: 2,722 (previous year: 2,635)		
Originated loans to other banks	27,390	18,570
Purchased loans to other banks (available for sale)	1,190	1,980
Money market assets	5,491	3,292
	34,071	**23,842**
Loans and advances to customers		
thereof fair value hedges: 5,264 (previous year: 6,077)		
thereof secured by mortgage charges: 17,259 (previous year: 11,200)		
Loans and advances to customers	38,231	38,044
Purchased loans to customers (held to maturity)	710	638
Purchased loans to customers (available for sale)	4,289	8,948
	43,230	**47,630**
Allowance for losses on loans and advances		
Loans and advances to other banks	–3	–2
Loans and advances to customers	–594	–665
	–597	**–667**
Trading assets		
Bonds and other fixed-income securities	11,666	6,859
Equities and other non-fixed-income securities	21	82
Positive fair value of derivatives	508	2,296
Positive fair value of banking book derivatives	393	458
	12,588	**9,695**
Hedging derivatives (positive fair values)		
Assets	22	11
Liabilities	810	962
	832	**973**
Investment securities		
Bonds and other fixed-income securities		
Purchased directly from the issuer	12,284	12,677
thereof fair value hedges: 3,892 (previous year: 1,445)		
Held to maturity	2,633	2,444
Available for sale	22,441	25,329
thereof fair value hedges: 10,274 (previous year: 12,441)		
	37,358	**40,450**
Equities and other non-fixed-income securities		
Equities	1,286	1,411
thereof fair value hedges: 37 (previous year: 70)		
Investment fund shares	160	1,675
	1,446	**3,086**
	38,804	**43,536**
	128,928	**125,009**

Receivables and other securities from financial services relate exclusively to the Deutsche Postbank group.

The maturity structure of receivables and other securities from financial services (gross of the allowance for losses on loans and advances) is as follows:

Maturities in €m	Less than 1 year		1 to 5 years		More than 5 years		Total	
	2003	2004	2003	2004	2003	2004	2003	2004
Loans and advances to other banks	22,312	15,116	5,985	7,487	5,774	1,239	34,071	23,842
Loans and advances to customers	6,591	8,726	18,232	19,040	18,407	19,864	43,230	47,630
Trading assets/hedging derivatives	3,894	3,024	7,030	5,484	2,496	2,160	13,420	10,668
Investment securities	4,300	3,173	19,642	11,028	14,862	29,335	38,804	43,536
	37,097	**30,039**	**50,889**	**43,039**	**41,539**	**52,598**	**129,525**	**125,676**

€2,188 million of loans and advances to other banks are payable on demand (previous year: €7,707 million). €8 million was taken to (previous year: €2 million withdrawn from) the revaluation reserve for losses on the measurement of unhedged purchased available-for-sale loans and advances to other banks. €0.2 million was added to the revaluation reserve and recognized in income in the period under review from the disposal of available-for-sale loans to other banks (previous year: disposal of €0.3 million).

Of the loans and advances to customers, €11,027 million is attributable to public-sector loans (previous year: €13,825 million), and €22,306 million to building loans (previous year: €17,464 million). €2 million was taken to (previous year: €8 million withdrawn from) the revaluation reserve for losses on the measurement of unhedged purchased available-for-sale loans and advances to customers. A gain of €6 million (previous year: €8 million) reported in the revaluation reserve was reversed to income in the period under review from the disposal of available-for-sale loans and advances to customers. Valuation allowances of €224 million (previous year: €221 million) were recognized for originated loans to customers in the year under review.

The allowance for losses on loans and advances is recognized in accordance with IAS 39.109 and covers all identifiable credit and country risks. Global valuation allowances were recognized for the potential credit risk on the basis of historical amounts.

The allowance for losses on loans and advances changed as follows in fiscal year 2004:

Change in loan loss allowance in €m	Specific risks		Potential risks		Total	
	2003	2004	2003	2004	2003	2004
Opening balance at January 1	545	561	43	36	588	597
Changes in consolidated group	0	0	0	0	0	0
Additions	221	220	0	4	221	224
Utilization	97	94	0	0	97	94
Reversal	86	55	7	0	93	55
Currency translation differences	–22	–5	0	0	–22	–5
Closing balance at December 31	**561**	**627**	**36**	**40**	**597**	**667**

€13 million (previous year: €33 million) of nonperforming loans and advances was written off directly and charged to income in the year under review. Recoveries on loans previously written off amounted to €1 million (previous year: €7 million).

Trading assets relate to trading in bonds and other fixed-income securities, equities and other non-fixed-income securities, foreign currencies, as well as derivatives that do not satisfy the IAS 39 criteria for hedge accounting. €6,719 million (previous year: €11,345 million) of the bonds and other fixed-income securities and €82 million (previous year: €21 million) of the equities and other non-fixed-income securities relate to securities listed on a stock exchange.

Hedges with positive fair values that qualify for hedge accounting under IAS 39 are composed of the following items:

Hedging derivatives (fair value hedges) in €m	2003	2004
Assets		
Hedging derivatives on loans to other banks		
Originated loans	5	4
Hedging derivatives on loans to customers		
Originated loans	9	3
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	7	3
Equities and other non-fixed-income securities	1	1
	22	**11**
Liabilities		
Deposits from other banks	63	103
Amounts due to customers	63	144
Securitized liabilities	672	438
Subordinated debt	12	277
	810	**962**
	832	**973**

€41,756 million (previous year: €37,395 million) of the investment securities relates to listed securities. Changes in the fair value of unhedged available-for-sale securities were recognized directly in the revaluation reserve in the amount of €176 million (previous year: €328 million). €151 million (previous year: €33 million) reported in the revaluation reserve was reversed to income in the period under review as a result of the disposal of investment securities and the recognition of impairment losses. The Deutsche Postbank group issued letters of pledge to the European Central Bank for securities with a lending value of €7 billion (previous year: €2 billion) for open market operations. Open market operations at the balance sheet date amounted to €1 billion (previous year: €2 billion). The securities deposited as collateral continue to be reported as non-current financial assets. Impairment losses of €5 million (previous year: €7 million) were recognized in fiscal year 2004 to reflect developments in the values of financial instruments.

30 Current financial instruments

Current financial instruments in the amount of €187 million (previous year: €75 million) are classified as available for sale; €167 million of this relates to Deutsche Post AG.

31 Cash and cash equivalents

Cash and cash equivalents include cash equivalents in the amount of €59 million (previous year: €84 million). €24 million (previous year: €31 million) of this figure is primarily attributable to Guipuzcoana and €12 million (previous year: €13 million) to DHL Sinotrans.

32 Deferred tax assets

Deferred tax assets are composed of the following items:

Deferred tax assets in €m	2003	2004
Deferred tax assets from tax loss carryforwards	383	337
Deferred tax assets from temporary differences	533	427
	916	**764**

Deferred tax assets from temporary differences relate primarily to the Deutsche Postbank group in the amount of €294 million (previous year: €289 million).

No deferred tax assets were recognized on tax loss carryforwards of around €1.8 billion (previous year: €4.1 billion), as it can be assumed that the Group will probably not be able to utilize these tax loss carryforwards in future periods. Most of the carryforwards are attributable to Deutsche Post AG, which is unlikely to be able to use these carryforwards in future due to the substantial temporary differences and other factors.

Deferred tax assets from tax loss carryforwards are broken down as follows:

Deferred tax assets from tax loss carryforwards in €m	2003	2004
Deferred taxes from German tax loss carryforwards		
Corporation tax	179	150
Trade tax and solidarity surcharge	107	90
Deferred taxes from foreign tax loss carryforwards	97	106
	383	**346**
Netted against deferred tax liabilities	–	–9
	383	**337**

The maturity structure of deferred tax assets from tax loss carryforwards is as follows:

Maturities of deferred tax assets from tax loss carryforwards in €m	2004
Less than 1 year	59
1 to 5 years	268
More than 5 years	10
	337

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

Deferred tax assets from temporary differences in €m	Assets 2003	Liabilities 2003	Assets 2004	Liabilities 2004
Intangible assets	10	89	25	100
Property, plant and equipment	88	86	33	80
Noncurrent financial assets	4	8	6	8
Current assets				
Receivables and other securities from financial services	70	1,370	126	796
Other current assets	35	4	31	0
Provision for pensions	229	10	133	26
Other provisions	344	337	412	304
Financial liabilities	12	0	7	0
Liabilities from financial services	796	52	142	113
Other liabilities	55	39	6	3
	1,643	**1,995**	**921**	**1,430**
Balance of deferred tax assets and liabilities				
thereof from temporary differences	–1,110	–1,110	–494	–494
thereof from tax loss carryforwards	n/a	n/a	–	–9
Carrying amount	**533**	**885**	**427**	**927**

n/a = not available

The maturity structure of deferred tax assets from temporary differences is as follows:

Maturities of deferred tax assets from temporary differences in €m	2003	2004
Less than 1 year	117	129
1 to 5 years	121	154
More than 5 years	295	144
	533	**427**

33 Issued capital

The issued capital amounts to €1,112.8 million and is composed of 1,112,800,000 no-par value registered shares (ordinary shares), each individual share having a notional share of €1 in the share capital. The amount of share capital, the quantity and the category of shares have not changed in the last three years.

The share capital changed as follows as of December 31, 2004:

Issued capital Number of shares	2003	2004
Federal Republic of Germany	222,560,000	222,560,000
KfW Bankengruppe (formerly Kreditanstalt für Wiederaufbau)	473,950,704	401,119,799
Free float	416,289,296	489,120,201
	1,112,800,000	**1,112,800,000**

On October 22, the 556,400,026 no-par value registered shares (222,560,000 of which were held by the Federal Republic of Germany and 333,840,026 by the KfW) that had not been previously admitted for trading were admitted to the Official Market for trading on seven stock exchanges within Germany.

Authorized capital

The authorized capital of €80 million is composed of up to 80,000,000 no-par value registered shares resolved by the Extraordinary General Meeting on October 13, 2000, is still in force. The Board of Management is authorized to increase the share capital of the company correspondingly up to and including September 30, 2005. The shares will be issued against non-cash contributions. Shareholders' pre-emptive subscription rights have been disapplied. The company did not exercise this authorization in fiscal year 2004.

Contingent capital

In accordance with the resolution by the Extraordinary General Meeting on September 27, 2000, the share capital has been contingently increased by up to €50 million, composed of up to 50,000,000 no-par value registered shares. Its sole purpose is to service the options which were granted as a result of the authorization granted to the Board of Management and the Supervisory Board resolved by the General Meeting on September 27, 2000, to issue stock options (Stock Option Plan 2000). The authorization to issue stock options under the Stock Option Plan 2000 was annulled in connection with the creation of a new stock option plan (Stock Option Plan 2003) by resolution of the Annual General Meeting on June 5, 2003.

By way of a resolution passed by the Annual General Meeting on June 5, 2003, the share capital was contingently increased by up to €60 million (**Contingent Capital II**). Its purpose is exclusively to service rights granted in accordance with the authorization given to the Board of Management and the Supervisory Board to issue stock options that was resolved by the Annual General Meeting on June 5, 2003 (Stock Option Plan 2003).

In accordance with the resolution by the Annual General Meeting on May 6, 2004, the company's share capital has been contingently increased by up to a further €56 million through the issue of up to 56,000,000 new, no-par value registered shares (**Contingent Capital III**). Contingent Capital III was entered in the commercial register on June 2, 2004. Its purpose is to service warrant or conversion rights and obligations from bonds with warrants or convertible bonds.

Authorization to acquire own shares

By way of a resolution by the Annual General Meeting on May 6, 2004, Deutsche Post AG is authorized to acquire own shares totaling up to 10% of the existing share capital at the time of the resolution during the period from May 6, 2004, until October 31, 2005, inclusive. Shares acquired as a result of this authorization together with other shares of the company that Deutsche Post AG has already acquired and still holds may not exceed more than 10% of the share capital at any point. The authorization can be exercised in full or in part on one or more occasions.

The authorization of May 6, 2004, permits the Board of Management to exercise it for every purpose authorized by law, particularly to pursue the goals mentioned in the resolution of the Annual General Meeting on May 6, 2004.

Deutsche Post AG did not hold any own shares as of December 31, 2004.

Share-based payment system for executives (Stock Option Plans 2000 and 2003)

Under the Stock Option Plan 2000, eligible participants were granted stock options in two annual tranches. Certain employees (Group management levels one to three and some specialists) were granted stock options for the first time on March 15, 2001 (Tranche 2001). The second tranche was issued on July 1, 2002 (Tranche 2002).

On the basis of the Stock Option Plan 2003 adopted by the Annual General Meeting on June 5, 2003, no further options were granted under the previous plan. Options were granted under the new stock option plan for the first time on August 1, 2003 (Tranche 2003). The second tranche (Tranche 2004) was issued to the executives on July 1, 2004. The last tranche from this plan is scheduled to be issued on the first trading day in July 2005.

Compared with the Stock Option Plan 2000, Stock Option Plan 2003 expands the group of beneficiaries and provides for an altered percentage distribution of the stock options to be issued among the various groups of beneficiaries, along with an increase in the total number of stock options to be issued.

The grant of stock options to members of the Board of Management and executives in Group management level two still requires eligible participants to invest in shares of Deutsche Post AG. Eligible participants in Group management levels three and four receive stock options without any requirement to buy shares.

Tranches Number	Stock options	Stock Appreciation Rights (SARs)
Tranche 2001		
Board of Management	466,908	0
Other senior executives	5,070,576	345,432
Tranche 2002		
Board of Management	1,223,418	0
Other senior executives	9,082,620	446,934
Tranche 2003		
Board of Management	1,096,236	0
Other senior executives	11,953,356	731,736
Tranche 2004		
Board of Management	841,350	0
Other senior executives	8,486,946	1,116,374

The stock options issued under both stock option plans can only be exercised within a two-year period following the expiration of a lock-up period of three years after the relevant grant date. The options can only be exercised if an absolute or a relative performance target has been met at the end of the lock-up period. Unexercised options lapse after the end of the exercise period.

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

The absolute performance target depends on the performance of Deutsche Post stock and is deemed to have been satisfied if the increase in the price of Deutsche Post stock (final price – issue price) amounts to at least 10, 15, 20 or 25%.

The relative performance target is tied to the performance of the shares versus the performance of the Dow Jones Euro STOXX Total Return Index. The relative performance target is satisfied if the performance of Deutsche Post stock during the above-mentioned performance period matches the performance of the Index or outperforms it by at least 10%.

For every six options, a maximum of four may be earned on the basis of the absolute performance target, and a maximum of two on the basis of the relative performance target. If no absolute or relative performance targets are satisfied by the end of the lock-up period, the attributable stock options of the respective tranche lapse without compensation.

Each stock option entitles the holder to acquire one share or to a cash settlement in the amount of the difference between the issue price and the average price of Deutsche Post stock during the five days prior to the exercise date, at the Board of Management's discretion.

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

Information on individual tranches	SOP 2000		SOP 2003	
	Tranche 2001	Tranche 2002	Tranche 2003	Tranche 2004
Grant date	March 15, 2001	July 1, 2002	August 1, 2003	July 1, 2004
Stock options granted	5,537,484	10,306,038	13,049,592	9,328,296
Stock Appreciation Rights (SARs) granted	345,432	446,934	731,736	1,116,374
Issue price	€23.05	€14.10	€12.40	€17.00
Lock-up expires	March 14, 2004	June 30, 2005	July 31, 2006	June 30, 2007
Number				
Outstanding stock options at beginning of year	4,399,842	8,300,814	13,000,602	0
Outstanding SARs at beginning of year	232,416	342,816	731,736	0
Options exercised	0	Not yet exercisable	Not yet exercisable	Not yet exercisable
SARs exercised	0	Not yet exercisable	Not yet exercisable	Not yet exercisable
Options lapsed	3,704,660	503,748	717,654	249,450
thereof lapsed before end of the lock-up period	53,249	503,748	717,654	249,450
thereof lapsed because performance targets not met	3,633,385	Still in lock-up period	Still in lock-up period	Still in lock-up period
thereof lapsed after end of lock-up period	18,026	Still in lock-up period	Still in lock-up period	Still in lock-up period
SARs lapsed	194,573	32,640	53,988	27,768
thereof lapsed by the end of the lock-up period	893	32,640	53,988	27,768
thereof lapsed because performance targets not met	193,680	Still in lock-up period	Still in lock-up period	Still in lock-up period
thereof lapsed after end of lock-up period	0	Still in lock-up period	Still in lock-up period	Still in lock-up period
Outstanding options at end of year	695,182	7,797,066	12,282,948	9,078,846
Outstanding SARs at end of year	37,843	310,176	677,748	1,088,606
Options exercisable at end of year	695,182	Not yet exercisable	Not yet exercisable	Not yet exercisable
SARs exercisable at end of year	37,843	Not yet exercisable	Not yet exercisable	Not yet exercisable

Starting in fiscal year 2002, the stock option plan has been measured using investment techniques by applying option pricing models (fair value measurement). The expense of €33 million attributable to fiscal year 2004 (previous year: €22 million), comprising €31 million for the stock options (previous year: €21 million) and €2 million for the SARs (previous year: €1 million), was reported under staff costs.

34 Reserves

The Group's reserves are composed of the following items:

Reserves in €m	2003	2004
Capital reserves	377	408
Revaluation reserve in accordance with IAS 39	–203	–210
Hedging reserve in accordance with IAS 39	–105	–133
Retained earnings	3,615	4,451
	3,684	**4,516**

Capital reserves

Changes in the capital reserves are presented below:

Capital reserves in €m	2003	2004
Capital reserves at January 1	356	377
Measurement of stock option plans	21	31
Capital reserves at December 31	**377**	**408**

The measurement of the 2000 and 2003 Stock Option Plans resulted in staff costs for the stock options in the amount of €31 million (previous year: €21 million) in fiscal year 2004; this amount was charged to capital reserves. Further details of the stock option plans can be found in note 33.

Revaluation reserve in accordance with IAS 39

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

Changes in the revaluation reserve are presented below:

Revaluation reserve in €m	2003	2004
Balance at January 1	–495	–203
Currency translation	1	0
Additions/disposals	368	224
Appropriation to "Minority interest"	0	–63[1]
Deferred taxes recognized directly in equity	–34	1
Reversed to income	–43	–169
Balance at December 31	**–203**	**–210**

[1] Due to Deutsche Postbank AG's IPO and the resulting disposal of a 33.23% interest, 33.23% of the changes in the fair values of financial instruments held by the Deutsche Postbank group have been attributable to the minority interest since July 2, 2004

In fiscal year 2004, on the one hand available-for-sale financial instruments in the amount of €169 million (previous year: €43 million) were reversed to income; on the other, the reserve increased by €224 million (previous year: €368 million) as a result of the measurement of available-for-sale financial instruments. Further details can be found in note 29.

The negative revaluation reserve relates almost entirely to gains or losses on the fair value measurement of financial instruments of the Deutsche Postbank group.

Hedging reserve in accordance with IAS 39

Net gains or losses from changes in the fair value of the effective portion of a cash flow hedge are taken directly to the hedging reserve. The hedging reserve is released to income when the hedged item is settled.

Hedging reserve in €m	2003	2004
Balance at January 1	–37	–105
Gains credited to hedging reserve	87	96
Losses charged to hedging reserve	–155	–124
Balance at December 31	**–105**	**–133**

Retained earnings

Retained earnings mainly contain the undistributed consolidated profits generated in prior periods. Retained earnings are composed of the following items:

Retained earnings in €m	2003	2004
Undistributed profit of prior-year periods	3,713	4,434
Currency translation differences	–102	28
Miscellaneous	4	–11
	3,615	**4,451**

Changes in the reserves during the year under review are also presented in the statement of changes in equity.

35 Consolidated net profit for the period

The consolidated net profit for fiscal year 2004 amounts to €1,588 million (previous year: €1,309 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the unappropriated surplus of €1,301 million (previous year: €1,349 million) reported in the annual financial statements of Deutsche Post AG prepared in accordance with the German Commercial Code. The amount of €745 million (previous year: €859 million) remaining after deduction of the total dividend of €556 million (previous year: €490 million) will be transferred to the retained earnings of Deutsche Post AG.

The dividend is tax-exempt for shareholders resident in Germany. No capital gains tax (investment income tax) will be withheld on the distribution.

36 Minority interest

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

Minority interest in €m	2003	2004
Deutsche Postbank group	14	1,572
DHL Sinotrans	0	18
Guipuzcoana	18	0
Other companies	27	21
	59	**1,611**

The increase in minority interest is due to the disposal of the 33.23% interest in Deutsche Postbank AG.

37 Provisions for pensions and other employee benefits

In a number of countries, Deutsche Post World Net maintains defined benefit pension plans on the basis of the pensionable compensation of employees and their length of service. Many of these benefit plans are funded via independent pension funds. The Group also maintains a number of defined contribution plans with assets in external funds.

Pension plans for civil servants in Germany

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

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

Under the provisions of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German Posts and Telecommunications Reorganization Act), Deutsche Post AG and Deutsche Postbank AG make benefit and assistance payments via a special pension fund to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. The amount of the payment obligations of Deutsche Post AG and Deutsche Postbank AG is governed by section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost Former Employees Act). Since 2000, both companies have been legally obliged to pay into this special pension fund an annual contribution of 33% of the pensionable gross compensation of active civil servants and the notional pensionable gross compensation of civil servants on leave of absence. In the year under review, Deutsche Post AG paid contributions of €650 million (previous year: €664 million) and Deutsche Postbank AG paid contributions of €67 million (previous year: €77 million) to Bundes-Pensions-Service für Post und Telekommunikation e.V.

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

Pension plans for hourly workers and salaried employees

The benefit obligations for the Group's hourly workers and salaried employees relate primarily to pension obligations in Germany and significant funded obligations in the Netherlands, Switzerland, the UK and the USA. There are various commitments to individual groups of employees. The commitments depend on length of service, and usually final salary as well. The provisions for the defined benefit plans have been measured in accordance with the projected unit credit method prescribed by IAS 19. Future obligations are determined using actuarial principles and actuarial assumptions. The expected benefits are spread over the entire length of service of the employees, taking into account changes in key parameters.

The significant defined benefit plans of Deutsche Post AG are funded via Versorgungsanstalt der Deutschen Bundespost (VAP), Unterstützungskasse Deutsche Post Betriebsrenten Service e.V. (DPRS) and Deutsche Post Pensionsfonds GmbH & Co. KG set up in 2002. VAP, DPRS and Deutsche Post Pensionsfonds GmbH & Co. KG were provided with plan assets (funded pension plans). Deutsche Post AG and Deutsche Postbank AG have entered into direct commitments for the remaining plans.

The following information on pension obligations is broken down into the following areas: Deutsche Post AG (DPAG), the Deutsche Postbank group, EXPRESS excluding DPAG, LOGISTICS excluding DPAG, and other minor pension obligations.

Provisions for pensions and other employee benefits by area

Pension obligations by area in €m	Deutsche Post AG (DPAG) 2003	Deutsche Postbank group 2003	EXPRESS excluding DPAG 2003	LOGISTICS excluding DPAG 2003	Other 2003	Total 2003	Deutsche Post AG (DPAG) 2004	Deutsche Postbank group 2004	EXPRESS excluding DPAG 2004	LOGISTICS excluding DPAG 2004	Other 2004	Total 2004
Provision for pensions	5,450	572	150	125	11	6,308	5,017	584	149	47	33	5,830
Other employee benefits	0	0	12	31	0	43	6	0	36	10	0	52
Provision for pensions and other employee benefits	5,450	572	162	156	11	6,351	5,023	584	185	57	33	5,882
Plan assets	0	0	–34	–15	0	–49	0	0	–41	–10	0	–51
Net provision for pensions	5,450	572	116	110	11	6,259	5,023	584	144	47	33	5,831

Actuarial assumptions

The majority of the Group's defined benefit pension obligations relate to companies in Europe, the UK and the USA. The actuarial measurement of the main benefit plans was based on the following assumptions:

Actuarial assumptions in %	Germany 2003	Rest of euro zone 2003	UK 2003	Switzerland 2003	USA 2003	Germany 2004	Rest of euro zone 2004	UK 2004	Switzerland 2004	USA 2004
Discount rate	5.50 to 5.75	5.50	5.50	3.50	6.25	5.00	5.00	5.50	3.25	5.75
Expected wage and salary growth	2.50	2.50 to 3.25	4.00	2.75	4.75	2.50	2.75 to 3.25	4.00	2.75	4.00
Expected inflation rate	1.00 to 1.50	1.75 to 2.00	2.50	1.25	3.25	1.00 to 2.00	1.50 to 2.25	2.50	1.25	3.25

At the German Group companies, longevity is calculated based on the 1998 mortality tables published by Dr. Klaus Heubeck.

The following average expected return on plan assets was used to compute the expenses for 2003 and 2004:

Computation of expenses for the period in %	Germany 2003	Rest of euro zone 2003	UK 2003	Switzer-land 2003	USA 2003	Germany 2004	Rest of euro zone 2004	UK 2004	Switzer-land 2004	USA 2004
Average expected return on plan assets	3.10 to 4.25	6.71	8.00	5.45	8.18	3.10 to 4.25	6.70	7.75	5.45	8.17

Reconciliation of present value of obligations, fair value of plan assets and net pension provisions

Reconciliation of obligations, plan assets and net pension provisions in €m	Deutsche Post AG 2003	Deutsche Postbank group 2003	EXPRESS excluding DPAG 2003	LOGISTICS excluding DPAG 2003	Other 2003	Total 2003	Deutsche Post AG 2004	Deutsche Postbank group 2004	EXPRESS excluding DPAG 2004	LOGISTICS excluding DPAG 2004	Other 2004	Total 2004
Present value of funded obligations at December 31	3,468	0	683	564	0	4,715	3,980	0	760	513	0	5,253
Present value of unfunded obligations at December 31	3,836	614	72	36	11	4,569	3,641	714	129	61	33	4,578
Present value of total obligations at December 31	7,304	614	755	600	11	9,284	7,621	714	889	574	33	9,831
Fair value of plan assets at December 31	–1,668	0	–641	–457	0	–2,766	–1,728	0	–697	–498	0	–2,923
Unrealized gains/losses	–186	–42	2	–33	0	–259	–870	–130	–48	–29	0	–1,077
Net pension provisions at December 31	5,450	572	116	110	11	6,259	5,023	584	144	47	33	5,831

Changes in the present value of total obligations

The table below shows the changes in the present value of total obligations in 2003 and 2004.

Changes in the present value of obligations in €m	Deutsche Post AG 2003	Deutsche Postbank group 2003	EXPRESS excluding DPAG 2003	LOGISTICS excluding DPAG 2003	Other 2003	Total 2003	Deutsche Post AG 2004	Deutsche Postbank group 2004	EXPRESS excluding DPAG 2004	LOGISTICS excluding DPAG 2004	Other 2004	Total 2004
Present value of total obligations at January 1	7,034	623	514	544	56	8,771	7,304	614	755	600	11	9,284
Service cost excluding employee contributions	91	9	41	23	4	168	91	11	63	21	16	202
Employee contributions	3	1	7	7	0	18	0	0	6	7	0	13
Interest cost	382	35	35	28	0	480	389	38	46	23	0	496
Pension payments	–473	–42	–28	–21	0	–564	–470	–40	–22	–17	0	–549
Past service cost	6	1	0	0	0	7	0	–2	–1	3	6	6
Plan curtailments	0	0	0	0	0	0	–389	–35	–66	–1	0	–491
Transfers/asset transfers	176	4	55	36	–49	222	5	–2	74	–80	0	–3
Acquisitions	0	0	137	0	0	137	0	33	0	0	0	33
Actuarial gains/losses	85	–17	12	8	0	88	691	97	46	18	0	852
Currency translation effects	0	0	–18	–25	0	–43	0	0	–12	0	0	–12
Present value of total obligations at December 31	**7,304**	**614**	**755**	**600**	**11**	**9,284**	**7,621**	**714**	**889**	**574**	**33**	**9,831**

The plan curtailments in 2004 primarily relate to Germany (see the information given under note 4 “Significant transactions”).

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

Changes in plan assets in €m	Deutsche Post AG 2003	Deutsche Postbank group 2003	EXPRESS excluding DPAG 2003	LOGISTICS excluding DPAG 2003	Other 2003	Total 2003	Deutsche Post AG 2004	Deutsche Postbank group 2004	EXPRESS excluding DPAG 2004	LOGISTICS excluding DPAG 2004	Other 2004	Total 2004
Fair value of plan assets at January 1	1,422	0	523	451	0	2,396	1,668	0	641	457	0	2,766
Employer contributions	219	0	0	6	0	225	196	0	56	19	0	271
Employee contributions	0	0	7	7	0	14	0	0	6	7	0	13
Actual return on plan assets	77	0	29	5	0	111	46	0	3	40	0	89
Pension payments	–198	0	0	0	0	–198	–187	0	–22	–17	0	–226
Transfers	148	0	34	–12	0	170	5	0	25	–9	0	21
Acquisitions	0	0	46	0	0	46	0	0	0	0	0	0
Plan curtailments	0	0	0	0	0	0	0	0	0	0	0	0
Currency translation effects	0	0	2	0	0	2	0	0	–12	1	0	–11
Fair value of plan assets at December 31	**1,668**	**0**	**641**	**457**	**0**	**2,766**	**1,728**	**0**	**697**	**498**	**0**	**2,923**

Plan assets largely consist of fixed-income securities, fixed-term deposits, other cash and cash equivalents, etc. (56.9%; previous year: 52.8%), equities and investment funds (14.2%; previous year: 11.1%), and other assets such as real estate (28.9%; previous year: 36.1%). 78% (previous year: 65.2%) of the real estate, which has a fair value of €657 million (previous year: €650 million), is owner-occupied by Deutsche Post AG. The price risk is extremely low due to the conservative composition of these assets.

Changes in net pension provisions

Changes in net pension provisions in 2003 and 2004 are shown in the table below:

Changes in net pension provisions in €m	Deutsche Post AG 2003	Deutsche Postbank group 2003	EXPRESS excluding DPAG 2003	LOGISTICS excluding DPAG 2003	Other 2003	Total 2003	Deutsche Post AG 2004	Deutsche Postbank group 2004	EXPRESS excluding DPAG 2004	LOGISTICS excluding DPAG 2004	Other 2004	Total 2004
Net pension provision at January 1	5,480	563	–15	63	56	6,147	5,450	572	116	110	11	6,259
Pension expense	435	46	60	23	4	568	47	19	5	20	22	113
Pension payments	–276	–42	–41	–3	0	–362	–283	–40	–7	–6	0	–336
Contributions to funds	–219	0	–7	–13	0	–239	–196	0	–49	–13	0	–258
Acquisitions	0	0	91	0	0	91	0	33	0	0	0	33
Transfers	30	4	35	42	–49	62	5	0	79	–64	0	20
Currency translation effects	0	1	–7	–2	0	–8	0	0	0	0	0	0
Net pension provision at December 31	**5,450**	**572**	**116**	**110**	**11**	**6,259**	**5,023**	**584**	**144**	**47**	**33**	**5,831**

Pension expense

The pension expense recognized in the income statement is as follows:

Pension expense in €m	Deutsche Post AG 2003	Deutsche Postbank group 2003	EXPRESS excluding DPAG 2003	LOGISTICS excluding DPAG 2003	Other 2003	Total 2003	Deutsche Post AG 2004	Deutsche Postbank group 2004	EXPRESS excluding DPAG 2004	LOGISTICS excluding DPAG 2004	Other 2004	Total 2004
Current service cost excluding employee contributions	94	10	41	23	4	172	91	11	63	21	16	202
Interest cost	382	35	35	28	0	480	389	38	46	23	0	496
Expected return on plan assets	–55	0	–37	–26	0	–118	–49	0	–44	–27	0	–120
Recognized past service cost	6	1	–4	0	0	3	0	–2	–1	3	6	6
Amortized unrealized gains/losses	8	0	0	4	0	12	5	0	–1	2	0	6
Effects of plan curtailments	0	0	0	0	0	0	–389	–32	–57	–3	0	–481
Other	0	0	25	–6	0	19	0	4	–1	1	0	4
Pension expense	**435**	**46**	**60**	**23**	**4**	**568**	**47**	**19**	**5**	**20**	**22**	**113**

38 Tax provisions

Tax provisions contain provisions for current and deferred income tax obligations and for other taxes. Provided that they are due in the same tax jurisdiction and relate to the same type of tax and maturity, current income tax obligations are eliminated against corresponding recoverable taxes. Changes in tax provisions in fiscal year 2004 are presented in the table on the right.

Tax provisions in €m	Provisions for current taxes	Deferred tax liabilities	Total
Opening balance at January 1, 2004	606	885	1,491
Changes in consolidated group	–3	8	5
Utilization	–83	–9	–92
Reversal	–67	0	–67
Currency translation differences	–3	–1	–4
Additions	215	547	762
	665	**1,430**	**2,095**
Balance of deferred tax liabilities and deferred tax assets on tax loss carry-forwards and temporary differences	0	–503	–503
Carrying amount at December 31, 2004	**665**	**927**	**1,592**

The maturity structure of tax provisions is as follows:

Maturities of tax provisions	Provisions for current taxes		Deferred tax liabilities		Total	
in €m	2003	2004	2003	2004	2003	2004
Less than 1 year	531	601	12	30	543	631
1 to 5 years	75	64	799	841	874	905
More than 5 years	0	0	74	56	74	56
	606	**665**	**885**	**927**	**1,491**	**1,592**

Provisions for current taxes in the amount of €665 million (previous year: €606 million) largely relate to Deutsche Post AG (€484 million; previous year: €419 million). The increase relates mainly to an addition to value added tax by Deutsche Post AG that relates to the risk of repaying the input taxes already claimed on revenue from commercial freight shipments of up to 20kg.

39 Other provisions

Changes in other provisions in fiscal year 2004 are presented below:

Changes in other provisions in €m	Postal Civil Service Health Insurance Fund	Other workforce adjustment measures	STAR restructuring provision	Postage stamps	Miscellaneous provisions	Total
Opening balance at January 1, 2004	1,518	926	967	500	920	4,831
Changes in consolidated group	0	49	0	0	0	49
Utilization	–6	–206	–278	–500	–291	–1,281
Currency translation differences	0	–6	0	0	–7	–13
Reversal	0	–6	0	0	–52	–58
Interest cost added back	87	28	23	0	4	142
Reclassification	0	0	0	0	0	0
Additions	4	313	0	500	478	1,295
Closing balance at December 31, 2004	**1,603**	**1,098**	**712**	**500**	**1,052**	**4,965**

In fiscal year 2004, the miscellaneous provisions amounting to €1,052 million were composed of the following items:

Miscellaneous provisions in €m	2003	2004
Technical reserves (insurance)	207	286
Staff-related provisions	81	97
Risks from business activities	59	35
Welfare benefits for civil servants	34	32
Litigation costs	33	30
Miscellaneous other provisions	506	572
	920	**1,052**

Miscellaneous other provisions include a large number of individual items, none of which exceeds €30 million. The maturity structure of other provisions is shown below:

Maturities of other provisions	Less than 1 year		1 to 5 years		More than 5 years		Total	
in €m	2003	2004	2003	2004	2003	2004	2003	2004
Postal Civil Service Health Insurance Fund	20	3	212	200	1,286	1,400	1,518	1,603
Other workforce adjustment measures	292	346	578	685	56	67	926	1,098
STAR restructuring	285	423	624	276	58	13	967	712
Postage stamps	500	500	0	0	0	0	500	500
Miscellaneous provisions	356	447	240	258	324	347	920	1,052
	1,453	**1,719**	**1,654**	**1,419**	**1,724**	**1,827**	**4,831**	**4,965**

The provision for the funding of future shortfalls in the Postal Civil Service Health Insurance Fund, which closed on January 1, 1995, comprises the statutory obligation of Deutsche Post AG and of Deutsche Postbank AG together with another successor of Deutsche Bundespost.

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

In fiscal year 2002, provisions for restructuring measures were recognized as part of the Group-wide STAR value creation program; these relate primarily to termination benefit obligations to employees (partial retirement programs, transitional benefits) and expenses from the closure of terminals.

40 Financial liabilities

Financial liabilities represent all interest-bearing obligations of Deutsche Post World Net not classified as liabilities from financial services. They are broken down as follows:

Financial liabilities	Less than 1 year		1 to 5 years		More than 5 years		Total	
in €m	2003	2004	2003	2004	2003	2004	2003	2004
Bonds	183	129	748	1,712	1,745	1,729	2,676	3,570
Due to banks	281	457	853	349	99	92	1,233	898
Finance lease liabilities	47	52	56	57	441	419	544	528
Liabilities to Group companies	65	46	1	0	0	0	66	46
Other financial liabilities	52	53	100	88	78	57	230	198
	628	**737**	**1,758**	**2,206**	**2,363**	**2,297**	**4,749**	**5,240**

The bonds can be broken down as follows:

Bonds	Nominal coupon in %	Issue volume	Issuer	Carrying amount 2003 in €m	Fair value 2003 in €m	Carrying amount 2004 in €m	Fair value 2004 in €m
Bond 2002/2007	4.25	€750m	Deutsche Post Finance B.V.	748	780	652	662
Bond 2002/2012	5.125	€750m	Deutsche Post Finance B.V.	748	806	721	746
Bond 2003/2014	4.875	€1,000m	Deutsche Post Finance B.V.	997	1,048	971	996
Bond 2003	1.15	US$230m	DHL Holdings (USA) Inc. via Kenton County Airport Board	183	183	168	168
Exchangeable bond 2004/2007	2.65	€1,082m	Deutsche Post Finance B.V., assumed by Deutsche Post AG	0	0	1,058[1]	1,127
				2,676	**2,817**	**3,570**	**3,699**

[1] The conversion right is reported under other liabilities

Information on the bond buy-back and the exchangeable bond can be found in note 4 “Significant transactions”.

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

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

Terms and conditions	Coupon in %	Term	Carrying amount 2003 in €m	Fair value 2003 in €m	Carrying amount 2004 in €m	Fair value 2004 in €m
Deutsche Post International B.V., Netherlands	3-month floater	June 2011	121	105	105	95
Deutsche Post International B.V., Netherlands	3.85	Apr. 2006	102	107	102	106
Deutsche Post International B.V., Netherlands	5.19	Mar. 2006	104	104	104	103
Deutsche Post International B.V., Netherlands	5.81	Feb. 2011	82	76	72	66
Deutsche Post International B.V., Netherlands	5.82	Dec. 2005	33	35	17	18
			442	**427**	**400**	**388**

€400 million of the above-mentioned liabilities due to banks were collateralized.

€397 million of the finance lease liabilities (previous year: €399 million) relates to aircraft leases entered into by DHL Operations B.V., Netherlands, with Barclays Mercantile Business Financing Limited, London. The interest rate is 3.745%; the leases run until 2027 and 2028.

Other financial liabilities are mainly attributable to Deutsche Post International B.V., Netherlands, in the amount of €178 million (previous year: €217 million), and relate to QTE leases, as in the previous year.

All the financial liabilities relate to the following companies:

Financial liabilities by company in €m	2003	2004
Deutsche Post Finance B.V., Netherlands	2,493	2,344
Deutsche Post AG	53	1,075
Deutsche Post International B.V., Netherlands	660	578
DHL Operations B.V., Netherlands	792	397
Other Group companies	751	846
	4,749	**5,240**

The following table compares the fair values and carrying amounts of the financial liabilities of Deutsche Post World Net:

Carrying amounts/Fair values in €m	Carrying amounts 2003	Fair values 2003	Carrying amounts 2004	Fair values 2004
Bonds	2,676	2,817	3,570	3,699
Due to banks	1,233	1,218	898	886
Liabilities to Group companies	66	66	46	46
Finance lease liabilities	544	544	528	528
Other financial liabilities	230	207	198	165
	4,749	**4,852**	**5,240**	**5,324**

Differences between fair values and carrying amounts result from changes in market interest rates for financial liabilities of equivalent maturities and risk structures.

Short maturities or marking-to-market means that there are no significant differences between the carrying amounts and fair value of all other primary financial instruments. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates. The differences between the fair values and carrying amounts of the financial liabilities are therefore relatively minor.

Details of existing credit lines can be found on page 59 in the Group Management Report.

41 Trade payables

€871 million (previous year: €818 million) of trade payables relates to Deutsche Post AG, while €109 million (previous year: €88 million) relates to the Deutsche Postbank group.

The maturity structure of trade payables is as follows:

Trade payables in €m	2003	2004
Less than 1 year	2,748	3,280
1 to 5 years	7	5
More than 5 years	0	0
	2,755	**3,285**

The carrying amount of trade payables corresponds to their fair value.

42 Liabilities from financial services

Liabilities from financial services are composed of the following items:

Liabilities from financial services in €m	2003	2004
Deposits from other banks	**20,257**	**16,200**
thereof payable on demand: 916 (previous year: 243)		
thereof fair value hedges: 2,978 (previous year: 894)		
Due to customers		
thereof fair value hedges: 3,445 (previous year: 1,233)		
Savings deposits	33,739	36,158
Other liabilities	39,593	43,231
thereof payable on demand: 20,170 (previous year: 20,116)		
	73,332	**79,389**
Securitized liabilities		
thereof fair value hedges: 11,571 (previous year: 10,556)		
Mortgage bonds	878	181
Public-sector mortgage bonds (Pfandbriefe)	3,570	1,073
Other debt instruments	21,819	15,236
	26,267	**16,490**
Trading liabilities		
Negative fair values of trading derivatives	506	2,111
Negative fair values of banking book derivatives	1,139	540
Other trading liabilities	2	51
	1,647	**2,702**
Hedging derivatives (negative fair values)	**1,814**	**2,245**
	123,317	**117,026**

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

Maturities of liabilities from financial services in €m	Less than 1 year 2003	Less than 1 year 2004	1 to 5 years 2003	1 to 5 years 2004	More than 5 years 2003	More than 5 years 2004	Total 2003	Total 2004
Deposits from other banks	13,107	9,148	3,482	4,790	3,668	2,262	20,257	16,200
Due to customers	64,366	69,037	5,105	4,614	3,861	5,738	73,332	79,389
Securitized liabilities	11,843	5,500	9,626	9,959	4,798	1,031	26,267	16,490
Trading liabilities/Hedging derivatives	1,360	1,576	1,211	1,328	890	2,043	3,461	4,947
	90,676	**85,261**	**19,424**	**20,691**	**13,217**	**11,074**	**123,317**	**117,026**

Fair value hedges with negative fair values that satisfy the requirements of IAS 39 for hedge accounting are composed of the following items:

Hedging derivatives (fair value hedges) in €m	2003	2004
Assets		
Hedging derivatives on loans to other banks		
Originated loans	142	142
Purchased loans (available for sale)	34	37
	176	**179**
Hedging derivatives on loans to customers		
Originated loans	346	291
Purchased loans (available for sale)	109	89
	455	**380**
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	1,062	1,253
Equities and other non-fixed-income securities	9	3
	1,071	**1,256**
	1,702	**1,815**
Liabilities		
Deposits from other banks	2	0
Due to customers	2	0
Securitized liabilities	107	136
Subordinated liabilities	1	294
	112	**430**
	1,814	**2,245**

43 Other liabilities

Other liabilities are classified as follows:

Other liabilities in €m	2003	2004
Subordinated debt of Deutsche Postbank group	1,723	2,808
Tax liabilities	533	585
Deferred income	567	487
Compensated absences	342	349
Wages, salaries, severance	242	290
Liabilities from the sale of residential building loans	266	258
Derivatives	213	223
Payable to employees and members of executive bodies	181	217
Incentive bonuses	159	166
Accrued interest on bond	56	134
Social security liabilities	128	129
Overtime claims	85	78
Other compensated absences	56	51
COD liabilities	72	47
Advance payments received	24	45
Insurance liabilities	17	29
Conversion right for exchangeable bond [1)]	0	28
Other liabilities to customers	28	21
Early termination fees	12	17
Liabilities from checks issued	20	13
Debtors with credit balances	27	10
Liabilities from defined contribution pension plans	0	10
Liabilities to Group companies	15	7
Miscellaneous other liabilities	508	537
	5,274	**6,539**

1) Further details can be found in note 4 "Significant transactions"

The increase in other liabilities is primarily due to the subordinated debt of the Deutsche Postbank group. The subordinated debt of the group relates to subordinated liabilities, hybrid capital instruments, profit participation certificates outstanding and contributions by typical silent partners. Due to the current residual maturity structure, these items only represent liable capital as defined by the Basel Capital Accord in the amount of €2,457 million. A total of €1,297 million (previous year: €620 million) of the subordinated debt is hedged against changes in fair value; €514 million of this relates to subordinated liabilities and €783 million to hybrid capital instruments.

Miscellaneous other liabilities include €4 million of housing management prepayments, €2 million of liabilities to the Bundes-Pensions-Service für Post und Telekommunikation e.V., and €2 million of liabilities from BHW loans. Otherwise, this item contains a number of individual items that do not exceed €10 million.

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

The maturity structure of other liabilities is shown below:

Maturities of other liabilities in €m	2003	2004
Less than 1 year	3,505	3,549
1 to 5 years	414	505
More than 5 years	1,355	2,485
	5,274	**6,539**

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

44 Cash flow disclosures

The consolidated cash flow statement is prepared in accordance with IAS 7 (Cash Flow Statements) and discloses the cash flows in order to present the source and application of cash and cash equivalents. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents are composed of cash, checks and bank balances with a maturity of not more than three months, and correspond to the cash and cash equivalents reported on the balance sheet. The effects of currency translation and changes in the consolidated group are adjusted when calculating cash and cash equivalents.

44.1 Net cash from operating activities

Cash flows from operating activities are calculated by adjusting net profit before taxes for net interest income and non-cash factors, as well as taxes paid and changes in provisions (net profit before changes in working capital). Adjustments for changes in working capital and liabilities result in net cash from or used in operating activities.

Net profit before taxes rose slightly by €241 million year-on-year (previous year: €1,915 million) to €2,156 million. The change in provisions in the cash flow statement of €–1,276 million is €1,042 million higher than the change in provisions in the balance sheet of €–234 million. This relates mainly to the elimination of interest cost on provisions (€638 million) that is reflected in the elimination of net interest income from the net profit before taxes. In addition, the changes in provisions in the balance sheet were adjusted for the provisions acquired as a result of acquisitions (€210 million) and for income taxes. The changes in receivables of €–711 million, which largely do not affect cash flow, are mainly due to the €148 million increase in prepaid expenses, the €203 million rise in receivables from taxes and social security contributions and the €164 million growth in derivatives (see note 28 "Receivables and other assets"). The change in receivables/liabilities from financial services of €–2,550 million (previous year: €–697 million) is mainly due to the reduction of securitized liabilities at Deutsche Postbank AG (see note 42 "Liabilities from financial services"). The change in liabilities and other items of €1,728 million is mainly due to the increase in the subordinated debt of Deutsche Postbank AG (affecting cash flow) by €1,085 million (see note 43 "Other liabilities").

Other non-cash income and expense in the amount of €426 million can be broken down as follows:

Non-cash income and expense in €m	2003	2004
Net income from associates including write-downs of investments in associates	2	–2
Write-downs of current assets and other valuation allowances	124	149
Income from reversal of write-downs of current assets	–14	–10
Losses on the disposal and write-down of current assets	8	4
Staff costs relating to stock option plan	21	33
Non-cash income and expense of the Deutsche Postbank group	94	326
Other	–7	–74
	228	**426**

44.2 Net cash used in investing activities

Cash flows from investing activities result from cash received from disposals of noncurrent assets and cash paid for investments in noncurrent assets. In addition, interest received in the amount of €225 million (previous year: €134 million) and the cash outflow from current financial instruments in the amount of €112 million (previous year: €71 million) are classified as investments. The cash outflow from current financial instruments is mainly due to the acquisition of fixed-income securities (available-for-sale) by Deutsche Post AG in the amount of €166 million as well as the reduction in securities at Airborne Inc., USA, in the amount of €58 million. Net cash used in investing activities totaled €385 million in the year under review (previous year: €2,133 million). Disposals of noncurrent assets generated income for the Group of

€2,038 million (previous year: €508 million). €1,534 million thereof is due to the disposal of the 33.23% minority interest in Deutsche Postbank AG (see note 4 “Significant transactions”). €2,536 million (previous year: €2,846 million) was paid to acquire noncurrent assets. €793 million of this amount (previous year: €1,362 million) was attributable to the acquisition of companies, in particular the acquisition of SmartMail and QuikPak (asset deal), which amounted to €375 million less cash and cash equivalents acquired in the amount of €11 million. The total cash and cash equivalents acquired with these acquisitions amounted to €17 million (previous year: €201 million).

The following assets and liabilities were acquired on the acquisition of companies:

Acquisitions in €m	2003	2004
Noncurrent assets	392	199
Receivables and other securities from financial services	1	141
Other current assets (excluding cash and cash equivalents)	721	167
Provisions	409	210
Other liabilities	911	266

Further details of the acquisitions can be found in note 3 “Consolidated group”.

Investments in other noncurrent assets increased by €259 million year-on-year to €1,743 million (previous year: €1,484 million).

44.3 Net cash used in financing activities

Cash flows from financing activities result from the issue and repayment of financial liabilities, and from distributions. In addition, interest paid in the amount of €443 million (previous year: €256 million) is included in cash flows from financing activities.

The proceeds from financial liabilities issued, which totaled €1,396 million (previous year: €1,798 million), were mainly due to the proceeds from the exchangeable bond issued by Deutsche Post AG in 2004 on shares in Deutsche Postbank AG in the total amount of €1.08 billion (see note 4 “Significant transactions”). This was matched by payments from the redemption of financial liabilities of €956 million (previous year: €1,401 million) (see note 40 “Financial liabilities”), due to the partial buy-back of bonds issued by Deutsche Post Finance B.V. by Deutsche Post AG in the amount of €279 million (see note 4 “Significant transactions”). In addition, a dividend of €490 million (previous year: €445 million) was paid to shareholders of Deutsche Post AG, resulting in a corresponding cash outflow in the period under review.

44.4 Cash and cash equivalents

Currency translation differences impacted cash and cash equivalents in the amount of €–14 million in the year under review (previous year: €–49 million). €34 million of the change in cash and cash equivalents due to changes in the consolidated group in the amount of €46 million is mainly attributable to the first-time full consolidation of DHL Sinotrans (see note 3 “Consolidated group”). The cash inflows and outflows described above produced cash and cash equivalents of €4,845 million at year-end, up €1,490 million over the prior-period amount. Internal financing resources remained strong.

Other disclosures

45 Financial instruments

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

The Deutsche Postbank group accounts for most of the financial instruments in Deutsche Post World Net. The risks and derivatives of the Deutsche Postbank group’s financial instruments are therefore presented separately below.

45.1 Risks and financial instruments of the Deutsche Postbank group

45.1.1 Risk management system

The Deutsche Postbank group defines risk management as a system that enables a systematic, permanent process across all areas of the Deutsche Postbank group, based on defined objectives. This process consists of strategy, analysis and evaluation, management and monitoring of overall bank risks.

Risk management thus forms part of overall risk- and earnings-based group management. The Deutsche Postbank group aims to ensure that risks are entered into in a controlled manner in terms of the group strategy and the available risk capital. An effective risk management system provides the necessary stimulus for strategic and daily business decisions, and enables the responsible, earnings-driven management of risk. The Deutsche Postbank group measures this management of risk for its board departments and business divisions using the ratio of capital employed to earnings, expressed by the performance indicator RoE (return on equity).

The Management Board of Deutsche Postbank AG is responsible for risk strategy, proper risk management organization, monitoring the risk content of all transactions, and risk control.

The risk control units measure and assess group-wide risks and ensure that limits are monitored and complied with.

Definition of risk categories and risk types

Price risk refers to potential losses from financial transactions that may be triggered by changes in interest rates, volatility, foreign exchange rates and share prices. The changes in value are derived from daily marking-to-market, irrespective of the carrying amounts of assets and liabilities.

The Deutsche Postbank group defines counterparty (default) risk as the potential loss that may arise due to changes in creditworthiness or default by a counterparty (e.g. through insolvency). Counterparty (default) risk comprises the following risk types:

- credit risk, i.e. the potential loss that may arise due to the inability of a counterparty to discharge its payment obligations or due to a deterioration in its credit rating,
- country or transfer risk inherent in cross-border payments due to the unwillingness (political risk) or inability (economic risk) of a country to discharge its payment obligations,
- counterparty risk, which may occur due to the default of a counterparty during the settlement of payment obligations (replacement risk) or the untimely performance of payment obligations (settlement risk).

The Deutsche Postbank group defines risks from shareholdings firstly as potential losses that could arise from the provision of equity to third parties, and secondly as liability risks arising from the profit transfer agreements entered into with a large number of subsidiaries.

The liquidity risk is the risk that the Deutsche Postbank group will be unable to meet its current and future payment obligations either as they fall due or in the full amount due. Funding risk, a special form of liquidity risk, arises when the necessary liquidity cannot be obtained on the expected terms when required.

Model risk is a general term for the risk that arises when information for risk management can only be presented to decision-makers on the basis of modeling that relies on assumptions.

The Deutsche Postbank group defines strategic risk as the risk of earnings targets not being met as a result of the group responding insufficiently to the respective business environment, including any changes at short notice. This means that strategic risks may result from inadequate strategic decision-making processes, unforeseeable discontinuities on the market, or the inappropriate implementation of the chosen strategy.

Operational risk is defined by Basel II as “the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events”. Legal risks are also included here in accordance with the Basel II definition.

Presentation of the risk situation

Risk management is becoming more and more important given the ongoing phase of low interest rates and fierce competition on the deposit and lending market and the resulting pressure on interest rate margins, as well as the general trend with respect to insolvencies at the macroeconomic level. The Deutsche Postbank group has introduced a range of enhanced risk management instruments and processes for the various risk types. They are constantly upgraded to reflect changes in the market and the development of the group, as well as future regulatory requirements. This enables the Deutsche Postbank group to meet the challenges posed by the market and to ensure risk control and limitation across all risk types and business divisions in a manner that optimizes both risks and earnings. The methods and processes applied conform with all current statutory and regulatory requirements.

With regard to credit risk, a low risk profile for the lending business and the beneficial situation of relatively low risk costs could also be ensured in 2004, which was another difficult year in macroeconomic terms. The increase in risk costs is mainly due to the scheduled expansion of the group’s private customer business in recent years. The Deutsche Postbank group will continue to pursue its risk-sensitive business policy in the future.

With regard to risk capital allocation, the Deutsche Postbank group was and is able to grant its business divisions sufficient leeway to grow their business in line with the group's strategy. No risks that could impair Postbank's development or even jeopardize its continued existence have been identified.

Risk-weighted assets and capital ratio

The Deutsche Postbank group has undertaken to fulfill the capital adequacy requirements set out in the respective framework issued by the Basel Committee on Banking Supervision. This requires credit institutions to maintain capital of at least 8% of their risk-weighted assets (capital ratio). At least 4% of risk assets must consist of tier 1 capital (tier 1 ratio). The Bank's regulatory own funds consist of tier 1, tier 2 and tier 3 capital. Tier 1 capital primarily consists of issued capital, reserves and hybrid capital components. Tier 2 capital is primarily composed of profit participation certificates and subordinated long-term liabilities.

The own funds of the Deutsche Postbank group in accordance with the Basel Capital Accord were as follows at December 31, 2004:

Own funds of the Deutsche Postbank group		2003[1)]	2004
Risk-weighted assets	in €m	45,820	50,043
Market risk positions	in €m	3,600	5,938
Positions for which capital charges are required	in €m	45,420	55,981
Core (tier 1) capital	in €m	3,819	4,231
thereof hybrid capital instruments	in €m	51	635
Supplementary (tier 2) capital	in €m	1,366	1,862
Profit participation certificates	in €m	166	359
Subordinated liabilities	in €m	1,164	1,247
Other components	in €m	36	256
Tier 3 capital	in €m	–	–
Eligible own funds	in €m	5,185	6,093
Tier 1 ratio	in %	8.3	8.5
Capital ratio	in %	10.5	10.9

[1)] Based on internal calculations

45.1.2 Derivatives

The Deutsche Postbank group uses derivatives primarily to hedge positions as part of its asset/liability management policy. Derivatives are also used for trading.

The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The derivatives portfolio is classified by economic purpose as follows:

Derivatives	Notional amounts		Positive fair values		Negative fair values	
in €m	2003	2004	2003	2004	2003	2004
Trading derivatives	169,185	224,044	901	2,754	1,645	2,651
Hedging derivatives	34,059	39,203	832	973	1,814	2,245
Total	**203,244**	**263,247**	**1,733**	**3,727**	**3,459**	**4,896**

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

Forward transactions and option contracts of the Deutsche Postbank group	Fair value					
in €m	Notional amount 2003	Positive fair values 2003	Negative fair values 2003	Notional amount 2004	Positive fair values 2004	Negative fair values 2004
Trading derivatives						
Currency derivatives						
OTC products						
Currency forwards	548	34	23	1,340	35	66
Currency swaps	7,633	297	267	12,514	561	469
	8,181	**331**	**290**	**13,854**	**596**	**535**
Interest rate derivatives						
OTC products						
Interest rate swaps	137,917	559	1,317	177,429	2,123	2,051
Cross-currency swaps	191	0	11	32	2	2
FRAs	920	1	1	2,310	0	0
OTC interest rate options	5,452	0	13	2,460	2	2
Other interest-related contracts	25	0	8	186	1	0
Exchanged-traded products						
Interest rate futures	10,602	0	0	22,954	0	0
Interest rate options	5,240	5	1	2,915	1	0
	160,347	**565**	**1,351**	**208,286**	**2,129**	**2,055**
Equity/index derivatives						
OTC products						
Equity options (long/short)	11	1	0	733	4	47
Exchanged-traded products						
Equity/index futures	12	0	0	93	0	0
Equity/index options	570	3	1	246	9	1
	593	**4**	**1**	**1,072**	**13**	**48**
Credit derivatives						
Credit default swaps	**64**	**1**	**3**	**832**	**16**	**13**
Total portfolio of derivatives held for trading	**169,185**	**901**	**1,645**	**224,044**	**2,754**	**2,651**
thereof banking book derivatives	62,375	393	1,139	22,957	458	540
Hedging derivatives						
Fair value hedges						
Interest rate swaps	30,361	740	1,605	36,535	949	2,035
Cross-currency swaps	3,311	87	184	2,284	23	207
Equity options	386	1	9	383	1	3
Other interest-related contracts	0	4	16	0	0	0
	34,058	**832**	**1,814**	**39,202**	**973**	**2,245**
Cash flow hedges						
Credit default swaps	**1**	**0**	**0**	**1**	**0**	**0**
Total portfolio of hedging derivatives	**34,059**	**832**	**1,814**	**39,203**	**973**	**2,245**
Total portfolio of derivatives	**203,244**	**1,733**	**3,459**	**263,247**	**3,727**	**4,896**

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

Maturities	Hedging derivatives				Trading and banking book derivatives			
in €m	Positive fair values 2003	Negative fair values 2003	Positive fair values 2004	Negative fair values 2004	Positive fair values 2003	Negative fair values 2003	Positive fair values 2004	Negative fair values 2004
Less than 3 months	383	376	291	322	386	607	1,000	921
3 months to 1 year	19	76	60	56	259	302	279	277
1 to 5 years	304	788	208	784	130	420	258	317
More than 5 years	126	574	414	1,083	126	316	1,217	1,136
	832	**1,814**	**973**	**2,245**	**901**	**1,645**	**2,754**	**2,651**

Derivatives – Classification by counterparties

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

Classification by counterparties in €m	Positive fair values 2003	Negative fair values 2003	Positive fair values 2004	Negative fair values 2004
Banks in OECD countries	1,710	3,429	3,681	4,774
Public institutions in OECD countries	0	0	1	4
Other counterparties in OECD countries	23	30	45	118
	1,733	**3,459**	**3,727**	**4,896**

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

In accordance with IAS 39.166 in conjunction with IAS 32, both the carrying amounts and the full fair values must be disclosed for financial instruments carried at amortized cost or at the hedged fair value. If there is an active market for a financial instrument, the full fair value is expressed by the market or quoted exchange price; otherwise, the full fair value is calculated using investment techniques.

In the following table, the carrying amounts are compared with the fair values:

Carrying amounts/Fair values in €m	Carrying amount 2003	Fair value 2003	Carrying amount 2004	Fair value 2004
Assets				
Cash reserve	1,623	1,623	1,125	1,125
Loans and advances to other banks	32,881	33,068	21,862	21,994
Loans and advances to customers	39,021	39,237	38,767	39,562
Allowance for losses on loans and advances	–597	–597	–667	–667
Investment securities	14,942	14,704	15,133	15,155
Liabilities				
Deposits from other banks	20,271	20,791	16,215	16,463
Amounts due to customers	73,941	73,448	80,519	80,602
Securitized liabilities and subordinated debt	27,991	28,152	19,298	19,564

45.2 Risks and fair values of financial instruments in other Deutsche Post World Net companies

Derivatives

Deutsche Post World Net's business activities entail financial risks that arise from changes in exchange rates, commodity prices and interest rates. Primary and derivative financial instruments are used to reduce existing risks. Apart from the financial transactions of the Deutsche Postbank group, which manages its risks using its own risk control system, the group's financial transactions are recorded in treasury risk management software.

Derivative financial transactions are only entered into with prime-rated banks that are monitored on a regular basis. The Board of Management is informed regularly and in a timely manner about hedging measures. Financial instruments are accounted for in accordance with IAS 39. The universe of actions, responsibilities and controls necessary in this context for the Group companies have been established in internal guidelines.

Liquidity management

Deutsche Post World Net's liquidity management functions ensure a sufficient supply of liquidity for Group companies.

In June 2004, Deutsche Post AG received income of around €1.6 billion from Deutsche Postbank AG's IPO. In addition, the exchangeable bond on shares of Deutsche Postbank AG issued as part of the IPO had a volume of €1.08 billion (2.65%, expiring in 2007). Together with the existing cash funds and the Group credit lines extended by banks in the amount of €4.1 billion that were unused as of the end of the year, the Group has sufficient funds to finance its planned growth and investments.

Currency risk and currency management

The global presence of the Group companies results in currency risks from planned and completed transactions in foreign currencies. At Deutsche Post World Net, foreign currency cash flows are centralized and matched by maturities. Currency risks are hedged centrally using currency forwards, currency options, currency swaps and cross-currency swaps.

At the end of 2004, the notional amount of currency options was €0.3 billion, and the fair value was €2 million. Currency options are used exclusively to hedge planned foreign currency transactions in operational business.

Currency forwards and currency swaps for planned and binding contracts for future transactions relating to the supply of goods and services and for hedging currencies in intragroup financing and investments totaled €1.1 billion and €2.3 billion, respectively. The fair values amounted to €–67 million and €90 million, respectively.

As of December 31, 2004, Deutsche Post World Net also held cross-currency swaps amounting to €0.5 billion with a fair value of €–51 million; these are used exclusively to hedge currencies in long-term foreign currency financing.

Commodity price risk

Commodity price risks arise principally in the context of the purchase of kerosene, diesel, petrol and fuel oil. The risk is reduced by hedging part of the fuel requirements in advance. It should be noted in particular that some fuel price increases can be passed on to customers by levying surcharges or providing corresponding clauses in master agreements. Fuel worth €224 million was hedged at the balance sheet date.

Interest rate risk and interest rate management

Interest rate risk arises from changes in market interest rates for financial assets and financial liabilities. To quantify the risk profile, all the Group's interest-bearing receivables and liabilities are recorded, interest rate analyses are regularly prepared, and the potential effects on the Group's net interest income are examined. Deutsche Post World Net uses interest rate derivatives, such as interest rate swaps and options, to achieve a balanced mix of differing interest rate terms in each portfolio irrespective of the liquidity tied up in individual financial contracts, and thus limit the interest rate risk.

At December 31, 2004, Deutsche Post World Net had entered into interest rate swaps with a notional volume of €2,373 million. The fair value of this interest rate swap position at the reporting date was €134 million. The fair value of interest rate options entered into was €–3 million for a traded notional volume of €150 million.

The following table provides an overview of the derivative financial instruments employed by Deutsche Post World Net and their fair values:

Fair values of derivatives in €m	Notional amount 2003	Fair value 2003	Notional amount 2004	Fair value 2004
Interest rate products				
OTC products				
Interest rate swaps	2,628	28	2,373	134
FRAs	0	0	0	0
Interest rate options	150	–3	150	–3
Other	0	0	0	0
	2,778	**25**	**2,523**	**131**
Currency derivatives				
OTC products				
Currency forwards	1,011	–64	788	–67
Currency options	116	–3	300	2
Currency swaps	1,363	54	2,316	90
Cross-currency swaps	446	–43	516	–51
Other	0	0	0	0
	2,936	**–56**	**3,920**	**–26**
Commodities				
Fuel hedging program	**131**	**10**	**224**	**21**
	5,845	**–21**	**6,667**	**126**

46 Contingent liabilities

The Group's contingent liabilities total €2,083 million (previous year: €1,642 million). €1,631 million of this relates to guarantee obligations and €216 million to liabilities from litigation risks. In addition to these contingent liabilities, the Deutsche Postbank group has irrevocable loan commitments amounting to €13,518 million (previous year: €12,890 million).

47 Litigation

Details of litigation can be found in the Group Management Report.

48 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €5,028 million (previous year: €5,560 million) from non-cancelable operating leases as defined by IAS 17.

The decline in liabilities from leases is primarily due to restructuring and reorganization measures in the Group.

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

Lease obligations in €m	2003	2004
Land and buildings	4,716	4,192
Technical equipment and machinery	146	121
Other equipment, operating and office equipment	380	449
Aircraft	318	266
	5,560	**5,028**

The maturity structure of future non-cancelable payment obligations from operating leases is presented below:

Minimum lease payments in €m	2003	2004
Year 1 after reporting date	886	858
Year 2 after reporting date	793	743
Year 3 after reporting date	642	595
Year 4 after reporting date	521	491
Year 5 after reporting date	435	393
Year 6 after reporting date and thereafter	2,283	1,948
	5,560	**5,028**

The present value of discounted minimum lease payments is €3,845 million (previous year: €4,104 million). Overall, rental and lease payments of €1,516 million (previous year: €1,284 million) arose in 2004, of which €918 million (previous year: €840 million) relates to non-cancelable leases.

Future lease obligations from non-cancelable leases relate primarily to the following companies:

Future lease obligations in €m	2003	2004
Deutsche Post AG	2,391	2,230
Express and logistics companies	2,325	1,959
Deutsche Postbank group	264	246
Other Group companies	580	593
	5,560	**5,028**

49 Related party disclosures

In addition to the consolidated subsidiaries, Deutsche Post World Net has direct or indirect relationships with a large number of unconsolidated subsidiaries and associates in the course of its ordinary business activities. In the course of these activities, all transactions for the provision of goods and services entered into with unconsolidated companies were conducted on an arm's length basis at standard market terms and conditions.

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

49.1 Related party disclosures (companies)

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

Relationships with the Bundesanstalt für Post und Telekommunikation (BAnst PT)

The Federal Republic of Germany manages its interest in Deutsche Post AG and exercises its shareholder rights via the Bundesanstalt für Post und Telekommunikation (Bundesanstalt) which has legal capacity and falls under the supervision of the German Federal Ministry of Finance. The *Gesetz über die Errichtung einer Bundesanstalt für Post und Telekommunikation* or *Bundesanstalt Post Gesetz* (German Act to Establish a Deutsche Bundespost Federal Posts and Telecommunications Agency – German Federal Posts and Telecommunications Agency Act) transferred specific legal rights and duties to the Bundesanstalt that relate to matters jointly affecting Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG. In addition, the Bundesanstalt manages the Postal Civil Service Health Insurance Fund, the recreation program, the Versorgungsanstalt der Deutsche Bundespost (VAP) and the welfare service for Deutsche Post AG, Deutsche Postbank AG, Deutsche Telekom AG and the Bundesanstalt. The coordination and administration tasks are performed on the basis of agency agreements. In 2004, Deutsche Post AG was invoiced for €76 million (previous year: €78 million) relating to services provided by the Bundesanstalt, and Deutsche Postbank AG was invoiced for €5.3 million (previous year: €5.7 million).

Relationships with the German Federal Ministry of Finance

In fiscal year 2001, the *Bundesministerium der Finanzen* (BMF – German Federal Ministry of Finance) and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German Acts on the Reduction of Misdirected Housing Subsidies) relating to housing benefits granted by Deutsche Post. In fiscal year 2004, the installments paid to the German federal government amounted to around €2.9 million. In accordance with the agreement, the final payment will be made by July 1, 2005.

Deutsche Post AG also entered into an agreement with the BMF dated January 30, 2004, relating to the transfer of civil servants to German federal authorities. Under this agreement, civil servants are seconded with the aim of transferring them initially for 6 months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the federal government by paying a flat fee. In 2004, this initiative resulted in 7 permanent transfers and 93 secondments with the aim of a permanent transfer.

Relationships with Deutsche Telekom AG and its subsidiaries

In fiscal year 2004, Deutsche Post World Net provided goods and services for Deutsche Telekom AG amounting to €0.7 billion. These were mainly transportation services for letters and parcels. In the same period, Deutsche Post World Net purchased goods and services worth €0.4 billion (including IT products and services) from Deutsche Telekom AG.

Deutsche Telekom AG and Deutsche Postbank AG have also entered into a master loan agreement for €0.1 billion.

In addition, there are links between Deutsche Post AG and Deutsche Telekom AG in terms of personnel. For example, the Chairman of the Board of Management of Deutsche Post AG, Dr. Zumwinkel, is also Chairman of the Supervisory Board of Deutsche Telekom AG.

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

Information on the Bundes-Pensions-Service für Post- und Telekommunikation e.V. can be found in note 37 "Provisions for pensions and other employee benefits".

49.2 Related party disclosures (individuals)

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

The following transactions were entered into between Deutsche Post World Net and related parties in fiscal year 2004:

With regard to second-level executives, agreements were entered into in three cases between Deutsche Post AG on the one hand and a close family member on the other. The relationship here was either directly with the spouse or with the spouse's company. The type of transaction primarily involved providing consulting or other services for Deutsche Post World Net, and the volume of these transactions totaled €851,000.00. Loans totaling €1,628,999.00 were granted to second-level executives, with terms varying between 5 and 30 years. Where no variable rate was agreed, interest rates were between 3.57% and 6.05%. The amount of the loans was €1,589,500.00 as of December 31. A member of the Supervisory Board was granted a loan of €20,000.00 by Deutsche Postbank AG at normal market conditions. The full amount of the loan still existed as of December 31, 2004. No loans were extended to members of the Board of Management.

Remuneration of the Board of Management

The annual remuneration of the members of the Board of Management consists of a fixed amount and variable remuneration components. Variable remuneration components are the annual bonus and options under the company's stock option plan. The annual bonus is determined by the Supervisory Board on the basis of the company's business development after due assessment of the circumstances. In addition to bonuses, the members of the Board of Management receive a variable remuneration component with a long-term incentive effect in the form of options under the company's stock option plan. Further information can be found in note 33.

In fiscal year 2004, the remuneration paid to active members of the Board of Management amounted to €12.83 million (previous year: €10.2 million). Of this amount, €6.27 million related to fixed components (previous year: €4.7 million), and €6.30 million to bonuses (previous year: €5.2 million). The value attributable to fiscal year 2004 of the stock options granted to members of the Board of Management under the 2000 and 2003 stock option plans totaled €3.09 million (previous year: €2.06 million).

The remuneration of the Board of Management was broken down as follows:

Remuneration of the Board of Management [1] in €	Fixed component	Bonus	Total	Value of the stock options granted attributable to 2004
Dr. Klaus Zumwinkel, Chairman	1,186,625.00	1,103,562.00	2,290,187.00	574,534.14
Dr. Frank Appel	557,500.00	518,475.00	1,075,975.00	232,117.56
Uwe R. Dörken (until Nov. 5, 2004)	654,224.67	627,683.35 [2]	1,281,908.02	371,625.99
Dr. Edgar Ernst	787,500.00	957,375.00	1,744,875.00	383,015.70
Dr. Peter E. Kruse	787,500.00	732,375.00	1,519,875.00	383,015.70
Dr. Hans-Dieter Petram	791,083.33	735,708.00	1,526,791.33	383,015.70
Walter Scheurle	715,000.00	664,950.00	1,379,950.00	383,015.70
Prof. Dr. Wulf von Schimmelmann	787,500.00	964,813.00	1,752,313.00	383,015.70
	6,266,933.00	**6,304,941.35**	**12,571,874.35**	**3,093,356.19**

[1] The remuneration disclosed covers all activities of the members of the Board of Management in the Group
[2] Thereof €17,500.00 relating to a portion of the bonus for fiscal year 2003 paid in 2004

The members of the Board of Management were also granted "other remuneration" in the amount of €0.26 million (previous year: €0.3 million). This related primarily to the use of company cars, the reimbursement of travel costs and telephone costs, and special allowances for expenses incurred abroad. This remuneration is taxable by the respective member of the Board of Management. In principle, it is available to all members of the Board of Management equally; the amount varies depending on different personal circumstances.

In addition, 841,350 stock options (previous year: 1,096,236) were granted to members of the Board of Management in 2004.

The remuneration of former members of the Board of Management amounted to €1.1 million (previous year: €1.1 million). Provisions for current pensions totaled €12.6 million (previous year: €12.1 million).

Remuneration of the Supervisory Board

In accordance with Article 17 of the Articles of Association of Deutsche Post AG, the annual remuneration of the members of the Supervisory Board consists of a fixed component, a short-term performance-related component, and a performance-related component with a long-term incentive effect.

The fixed remuneration amounts to €20,000, and the short-term performance-related remuneration to €300 for every €0.03 by which the consolidated net profit per share exceeds the amount of €0.50 in the fiscal year in question. In fiscal year 2004, the short-term performance-related remuneration totaled 28.5% of the total remuneration of all the members of the Supervisory Board.

In fiscal year 2004, the members of the Supervisory Board are entitled to an annual performance-related remuneration with a long-term incentive effect amounting to €300 for every 3% by which the consolidated net profit per share for fiscal year 2006 exceeds the consolidated net profit per share for fiscal year 2003. The remuneration becomes due after the 2007 Annual General Meeting.

Taken individually, the two variable remuneration components may not exceed the amount of the fixed remuneration of €20,000.

The Chairman of the Supervisory Board receives double the remuneration, and his Deputy one and a half times the remuneration. The Chairman of a Supervisory Board committee receives double the remuneration, and a member of a Supervisory Board committee one and a half times the remuneration. Persons who are members of the Supervisory Board for only part of a fiscal year receive corresponding ratable remuneration.

The members of the Supervisory Board are entitled to claim out-of-pocket expenses incurred in the exercise of their office. Any value added tax on the Supervisory Board remuneration and on any out-of-pocket expenses is reimbursed. In addition, each member of the Supervisory Board attending a meeting receives an attendance allowance of €500 for each meeting of the full Supervisory Board or of one of the committees.

The total remuneration of the Supervisory Board amounts to €1.1 million in fiscal year 2004 (previous year: €0.8 million). The increase relates primarily to the amendment of the performance-related remuneration components that are recommended in the German Corporate Governance Code. This was resolved by the 2004 Annual General Meeting, which at the same time reduced the amount of the fixed remuneration.

The total remuneration can be broken down by the individual members of the Supervisory Board as follows:

Total remuneration of the Supervisory Board in €	Fixed component	Variable component Annual performance-related remuneration	Attendance allowance	Total	Value of the long-term entitlement to remuneration [1]
Josef Hattig	70,000	32,550	8,000	110,550	7,350
Willem G. van Agtmael	20,000	9,300	1,000	30,300	2,100
Frank von Alten-Bockum	20,000	9,300	3,500	32,800	2,100
Hero Brahms	40,000	18,600	8,000	66,600	4,200
Rolf Büttner	60,000	27,900	8,000	95,900	6,300
Marion Deutsch	20,000	9,300	3,500	32,800	2,100
Gerd Ehlers	10,000	4,650	2,500	17,150	1,050
Dr. Jürgen Großmann	20,000	9,300	2,500	31,800	2,100
Annette Harms	20,000	9,300	3,500	32,800	2,100
Helmut Jurke	40,000	18,600	8,500	67,100	4,200
Prof. Dr. Ralf Krüger	30,000	13,950	6,000	49,950	3,150
Dr. Manfred Lennings	40,000	18,600	6,000	64,600	4,200
Dirk Marx	30,000	13,950	6,000	49,950	3,150
Roland Oetker	6,667	3,100	1,500	11,267	700
Silke Oualla-Weiß	20,000	9,300	3,500	32,800	2,100
Dr. Manfred Overhaus	30,000	13,950	6,000	49,950	3,150
Hans W. Reich	6,667	3,100	500	10,267	700
Franz Schierer	20,000	9,300	3,500	32,800	2,100
Jürgen Sengera	11,667	5,425	2,000	19,092	1,225
Ulrike Staake	12,500	5,813	2,000	20,313	1,313
Dr. Jürgen Weber	20,000	9,300	3,000	32,300	2,100
Stefanie Weckesser	20,000	9,300	3,500	32,800	2,100
Margrit Wendt	50,000	23,250	10,000	83,250	5,250
	617,500	**287,138**	**102,500**	**1,007,138**	**64,838**

[1] Basis of measurement: difference between the consolidated net profit per share for 2004 and 2003; paid out in 2007

No payments or benefits were granted in return for services provided individually, especially consulting and arrangement services, with the exception of the remuneration of members elected by employees as set out in the members' respective employment contracts.

Under section 15 a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), members of the Supervisory Board and the Board of Management are obliged to disclose their own transactions involving shares of Deutsche Post AG or related financial instruments.

In line with their duty of disclosure, the members of the company's Board of Management and Supervisory Board disclosed the purchase of 23,276 shares (previous year: 48,800 shares) of Deutsche Post AG in fiscal year 2004. The members of the Board of Management and the Supervisory Board did not disclose the sale of any shares of the company.

The aggregate shareholdings of all members of the Board of Management and Supervisory Board amount to less than 1% of the shares issued by the company.

50 Significant subsidiaries, joint ventures and associates

Significant subsidiaries, joint ventures and associates	Country	Equity interest and share of voting rights		Revenue [1]	
		Dec. 31, 2003 in %	Dec. 31, 2004 in %	2003 in €m	2004 in €m
Significant subsidiaries					
MAIL					
Global Mail Inc.	USA	100.00	100.00	161	156
SmartMail Services LCC	USA	–	100.00	–	118 [2]
Interlanden B.V.	Netherlands	70.00	100.00	74	76
Deutsche Post Global Mail (UK) Ltd.	UK	100.00	100.00	46	58
Deutsche Post In Haus Service GmbH	Germany	100.00	100.00	63	57
EXPRESS/LOGISTICS					
Airborne (OH) Inc. (subgroup)	USA	100.00	100.00	1,034 [3]	2,515
Deutsche Post Euro Express Deutschland GmbH & Co. OHG	Germany	100.00	100.00	1,539	1,550
Air Express International USA Inc.	USA	100.00	100.00	1,070	1,226
DHL Express (USA) (OH) Inc.	USA	100.00	100.00	999	1,032
Danzas S.A.	France	100.00	100.00	874	891
DHL Express (Sweden) AB	Sweden	100.00	100.00	698	829
DHL Freight GmbH	Germany	100.00	100.00	692	730
DHL Express (Italy) S.r.L.	Italy	100.00	100.00	645	648
DHL Express (UK) Limited	UK	100.00	100.00	– [4]	641
DHL International (UK) Ltd.	UK	100.00	100.00	506	562
DHL Express Betriebs GmbH	Germany	100.00	100.00	355	547 [5]
Danzas S.p.A.	Italy	100.00	100.00	440	455
DHL Danzas Air & Ocean Germany GmbH	Germany	100.00	100.00	403	452
Van Gend & Loos B.V.	Netherlands	100.00	100.00	328	358
Danzas Limited	Hong Kong	100.00	100.00	280	346
DHL International S.A.	France	100.00	100.00	320	338
Danzas Limited	UK	100.00	100.00	310	337
DHL Freight and Contract Logistics (UK) Limited	UK	100.00	100.00	– [4]	334
Danzas AG	Switzerland	100.00	100.00	320	330
DHL Japan Inc.	Japan	100.00	100.00	270	320
FINANCIAL SERVICES					
Deutsche Postbank AG (subgroup)	Germany	100.00	66.77	6,687	6,426
Significant joint ventures [6]					
Significant associates					
trans-o-flex Schnell-Lieferdienst GmbH	Germany	24.80	24.80	–	–

1) IAS amounts reported in single-entity financial statements
2) Included as of May 28, 2004
3) Included as of August 15, 2003
4) In the previous year, this revenue was reported in the Securicor subgroup
5) Merger of DHL Worldwide Express GmbH with DHL Express Betriebs GmbH, formed in 2004
6) DHL Sinotrans International Air Courier Ltd., which was reported here in the previous year, is presented as a fully consolidated company in 2004

51 Declaration of Conformity with the German Corporate Governance Code

On December 9, 2004, the Board of Management and the Supervisory Board of Deutsche Post AG together published the Declaration of Conformity with the German Corporate Governance Code for fiscal year 2004 required by section 161 of the *Aktiengesetz* (German Stock Corporation Act). This Declaration of Conformity can be accessed on the Internet at www.corporate-governance-code.de and on our homepage at www.dpwn.com.

52 Significant events after the balance sheet date

At the beginning of 2005, Deutsche Post World Net acquired a majority interest of 68.2% in the Indian express company Blue Dart. This move allows the Group to penetrate the fast-growing domestic market in India even more intensively. The purchase price amounted to the equivalent of €100 million.

In January 2005, Deutsche Post Beteiligungen Holding GmbH, Germany, acquired around 94% of the shares in the French mail service provider KOBA, Paris. KOBA is one of the leading specialists for direct marketing and mail communication, and therefore represents a key component of Deutsche Post World Net's international mail strategy.

As of April 1, 2005, Deutsche Post World Net will take over large parts of the KarstadtQuelle group's logistics operations. DHL Solutions will provide department store logistics for Karstadt Warenhaus AG as well as bulky goods and part-load services.

As of January 1, 2006, Deutsche Post World Net will sell its 100% interest in McPaper AG, Berlin, because operating a company in the paper, office and stationery sector is no longer part of the Group's core competencies.

53 Consolidated financial statements including the Deutsche Postbank group at equity

The activities of the Deutsche Postbank group differ substantially from the ordinary activities of the other companies in Deutsche Post World Net. To enable a clearer presentation of the net assets, financial position and results of operations of the Group, the Deutsche Postbank group was excluded from full consolidation in the accompanying consolidated financial statements for the period ended December 31, 2004. The Deutsche Postbank group is accounted for in these financial statements only as a financial investment carried at equity.

The consolidated financial statements of Deutsche Post AG including the Deutsche Postbank group at equity were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), required to be applied as of the reporting date.

The accounting treatment differs from the standards required by the IFRS to the extent that the Deutsche Postbank group was not fully consolidated, as required by IAS 27, but was accounted for at equity.

The tables on pages 127 and 128 show the reconciliation of the financial statements of Deutsche Post World Net to those of Deutsche Post World Net including Postbank at equity. Transactions between the Deutsche Postbank group and the other Group companies are included in the financial statements.

Explanations to the reconciliation of the income statement

- As the starting point of the reconciliation of the income statement, column 1 contains the data for Deutsche Post World Net including the fully consolidated Deutsche Postbank group.
- Column 2 contains the IFRS income statement of the Deutsche Postbank group that has been excluded from the overall financial statements here. The income statement of the Deutsche Postbank group shown here in the standard commercial and industrial format includes all transactions for the provision of goods and services entered into with the rest of Deutsche Post World Net.
- The intragroup relationships recognized in the income statement between the Deutsche Postbank group and the rest of Deutsche Post World Net that were eliminated during the transition to the overall Group are reincluded in column 3. In particular, these relate to the counter services provided by Deutsche Post AG for the Deutsche Postbank group.
- Column 4 contains the interest of Deutsche Post AG in the net profit for the period.
- Column 5 contains the data for Deutsche Post World Net including Postbank at equity.

Explanations to the reconciliation of the balance sheet

- As the starting point of the reconciliation of the balance sheet, column 1 contains the data for Deutsche Post World Net including the fully consolidated Deutsche Postbank group.
- Column 2 contains the IFRS balance sheet of the Deutsche Postbank group that is excluded from the overall financial statements here. The balance sheet of the Deutsche Postbank group shown here in the standard commercial and industrial format includes all transactions for the provision of goods and services entered into with the rest of Deutsche Post World Net.
- The intragroup relationships between the Deutsche Postbank group and the rest of Deutsche Post World Net that were eliminated during the transition to the overall Group are reincluded in column 3.
- Column 4 contains the investments in the Deutsche Postbank group reported under noncurrent financial assets and measured at equity.
- Column 5 contains the data for Deutsche Post World Net including Postbank at equity.

The cash flow statement including Postbank at equity on page 129 is based on the consolidated financial statements including Postbank at equity. This means that the cash flows of the Deutsche Postbank group are eliminated, but the cash flows between Deutsche Post World Net and the Deutsche Postbank group are reincluded. In addition, net income from the measurement of the Deutsche Postbank group at equity is included as non-cash income in net cash from operating activities. The dividend paid by Deutsche Postbank AG to Deutsche Post AG is included in cash flows from investing activities. All other items are treated in the same way as in the consolidated cash flow statement. Further disclosures relating to the cash flow statement can be found in note 44.

53.1 Reconciliation of Deutsche Post World Net income statement to Deutsche Post World Net including Postbank at equity

For the period January 1 to December 31 in €m	Deutsche Post World Net 2004	Deutsche Postbank group 2004	Consolidation of income and expense and intercompany balances 2004	Other 2004	Deutsche Post World Net Postbank at equity 2004	Deutsche Post World Net Postbank at equity 2003
Revenue	43,168	–6,426	645	0	37,387	33,907
Other operating income	1,365	–457	102	0	1,010	1,001
Total operating income	**44,533**	**–6,883**	**747**	**0**	**38,397**	**34,908**
Materials expense	–20,546	4,766	–588	0	–16,368	–13,905
Staff costs	–13,744	584	–8	0	–13,168	–12,759
Depreciation and amortization expense excluding goodwill amortization	–1,451	121	0	0	–1,330	–1,280
Other operating expenses	–5,445	752	–161	0	–4,854	–4,513
Total operating expenses excluding goodwill amortization	**–41,186**	**6,223**	**–757**	**0**	**–35,720**	**–32,457**
Profit or loss from operating activities before goodwill amortization (EBITA)	**3,347**	**–660**	**–10**	**0**	**2,677**	**2,451**
Goodwill amortization	–370	1	0	0	–369	–318
Profit or loss from operating activities (EBIT)	**2,977**	**–659**	**–10**	**0**	**2,308**	**2,133**
Net income/loss from associates	4	0	0	0	4	–28
Net income from measurement of Deutsche Postbank group at equity	0	0	0	340	340	353
Net other finance costs/financial income	–825	35	–3	0	–793	–688
Net finance costs/financial income	**–821**	**35**	**–3**	**340**	**–449**	**–363**
Profit or loss from ordinary activities	**2,156**	**–624**	**–13**	**340**	**1,859**	**1,770**
Income tax expense	–431	204	0	0	–227	–429
Net profit or loss for the period before minority interest	**1,725**	**–420**	**–13**	**340**	**1,632**	**1,341**
Minority interest	–137	1	0	92	–44	–32
Consolidated net profit or loss for the period	**1,588**	**–419**	**–13**	**432**	**1,588**	**1,309**
See explanations on page 126	1	2	3	4	5	

Downloadable spreadsheet. Online Annual Report

53.2 Reconciliation of Deutsche Post World Net balance sheet to Deutsche Post World Net including Postbank at equity

As of December 31 in €m	Deutsche Post World Net 2004	Deutsche Postbank group 2004	Consolidation of intercompany balances 2004	Other 2004	Deutsche Post World Net Postbank at equity 2004	Deutsche Post World Net Postbank at equity 2003
Assets						
Noncurrent assets						
Intangible assets	6,846	–169	0	0	6,677	6,236
Property, plant and equipment	8,439	–926	0	0	7,513	7,857
Noncurrent financial assets						
Investments in associates	82	0	0	0	82	79
Investments in the Deutsche Postbank group	0	0	0	3,167	3,167	4,876
Other noncurrent financial assets	661	–33	0	–8	620	624
	743	–33	0	3,159	3,869	5,579
	16,028	**–1,128**	**0**	**3,159**	**18,059**	**19,672**
Current assets						
Inventories	227	0	–3	0	224	215
Receivables and other assets	6,297	–433	260	0	6,124	5,298
Receivables and other securities from financial services	125,009	–125,009	0	0	0	0
Current financial instruments	187	1	0	0	188	75
Cash and cash equivalents	4,845	–1,125	1,061	0	4,781	2,333
	136,565	**–126,566**	**1,318**	**0**	**11,317**	**7,921**
Deferred tax assets	**764**	**–520**	**0**	**0**	**244**	**352**
Total assets	**153,357**	**–128,214**	**1,318**	**3,159**	**29,620**	**27,945**
Equity and liabilities						
Equity						
Issued capital	1,113	–410	0	410	1,113	1,113
Reserves	4,516	–3,897	9	3,888	4,516	3,684
Consolidated net profit or loss	1,588	–419	–13	432	1,588	1,309
	7,217	**–4,726**	**–4**	**4,730**	**7,217**	**6,106**
Minority interest	**1,611**	**–1**	**0**	**–1,571**	**39**	**45**
Provisions						
Provisions for pensions and other employee benefits	5,882	–584	0	0	5,298	5,779
Tax provisions	1,592	–993	0	0	599	618
Other provisions	4,965	–413	0	0	4,552	4,573
	12,439	**–1,990**	**0**	**0**	**10,449**	**10,970**
Liabilities						
Financial liabilities	5,240	–1,136	1,185	0	5,289	4,808
Trade payables	3,285	–109	0	0	3,176	2,667
Liabilities from financial services	117,026	–117,026	0	0	0	0
Other liabilities	6,539	–3,226	137	0	3,450	3,349
	132,090	**–121,497**	**1,322**	**0**	**11,915**	**10,824**
Total equity and liabilities	**153,357**	**–128,214**	**1,318**	**3,159**	**29,620**	**27,945**
See explanations on page 126	1	2	3	4	5	

Downloadable spreadsheet. Online Annual Report

53.3 Cash flow statement of Deutsche Post World Net including Postbank at equity

For the period January 1 to December 31 in €m	Deutsche Post World Net Postbank at equity 2003	Deutsche Post World Net Postbank at equity 2004
Net profit before taxes	**1,770**	**1,859**
Net interest income	685	800
Depreciation/amortization and reversals of write-downs of noncurrent assets	1,580	1,715
Gains on disposal of noncurrent assets	−85	−32
Non-cash income and expense	134	100
Net income from measurement at equity	−353	−340
Change in provisions	−875	−1,207
Taxes paid	−45	−45
Net profit before changes in working capital	**2,811**	**2,850**
Changes in working capital		
Inventories	9	−9
Receivables and other assets	519	−806
Receivables/liabilities from financial services	0	0
Liabilities and other items	59	543
Extraordinary expense from EU state aid proceedings	−907	0
Net cash from operating activities	**2,491**	**2,578**
Proceeds from disposal of noncurrent assets		
Divestitures	23	1,535
Other noncurrent assets	496	534
	519	2,069
Cash paid to acquire noncurrent assets		
Investments in companies	−1,358	−767
Other noncurrent assets	−1,356	−1,662
	−2,714	−2,429
Interest and dividends received	138	240
Postbank dividend	99	589
Current financial instruments	71	−112
Net cash from (previous year: used in) investing activities	**−1,887**	**357**
Proceeds from issue of financial liabilities	1,867	1,407
Repayment of financial liabilities	−1,410	−978
Dividends and other payments to owners	−445	−490
Interest paid	−256	−458
Net cash used in financing activities	**−244**	**−519**
Net change in cash and cash equivalents	360	2,416
Effect of changes in exchange rates on cash and cash equivalents	−49	−14
Change in cash and cash equivalents due to changes in consolidated group	0	46
Cash and cash equivalents at January 1	2,022	2,333
Cash and cash equivalents at December 31	**2,333**	**4,781**

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Bonn, March 1, 2005
Deutsche Post AG
The Board of Management

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, consisting of the balance sheet, the income statement, and the statements of changes in equity and cash flows as well as the notes to the financial statements for the fiscal year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements according to the International Financial Reporting Standards of the IASB (IFRS) are the responsibility of the company's Board of Management. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with the IFRS.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer in Deutschland* (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations, and cash flows of the Group for the fiscal year in accordance with the IFRS.

Our audit, which according to German auditing regulations also extends to the Group Management Report prepared by the Board of Management for the fiscal year from January 1 to December 31, 2004, has not led to any reservations. In our opinion, on the whole the Group Management Report, together with the other information of the consolidated financial statements, provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the Group Management Report for the fiscal year from January 1 to December 31, 2004, satisfy the conditions required for the company's exemption from its duty to prepare consolidated financial statements and the Group Management Report in accordance with German accounting law.

Düsseldorf, March 1, 2005

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Brebeck	Ruske
Wirtschaftsprüfer	Wirtschaftsprüfer
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* Reference to an explanation in the enclosed Glossary of the terms marked with an asterisk

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Group 8-Year Review

1997 – 2004		1997	1998	1999	2000	2001	2002	2003	2004
Revenue									
MAIL	in €m	10,788	11,272	11,671	11,733	11,707	12,129[1]	12,495[1,2]	12,747
EXPRESS	in €m	3,533	3,818	4,775	6,022	6,421	14,637[1,3]	15,293[1,4]	17,792
LOGISTICS	in €m	0	0	4,450	8,289	9,153	5,817[3]	5,878	6,786
FINANCIAL SERVICES	in €m	0	81	2,871	7,990	8,876[5]	8,676[1]	7,661[1]	7,349
Corporate divisions total	in €m	14,321	15,171	23,767	34,034	36,157	41,259	41,327	44,674
Other/Consolidation	in €m	−189	−502	−1,404	−1,326	−2,778[5]	−2,004[1,3]	−1,310[1,2,4]	−1,506
Total	in €m	**14,132**	**14,669**	**22,363**	**32,708**	**33,379**	**39,255**	**40,017**	**43,168**
Profit or loss from operating activities before goodwill amortization (EBITA)									
MAIL	in €m	599	944	1,009	2,004	1,960	2,144[1,6]	2,082[1,2,7]	2,085
EXPRESS	in €m	−55	−7	60	76	176	270[1,3,6]	365[1,4]	367
LOGISTICS	in €m	0	0	−27	113	159	173[3,6]	206	281
FINANCIAL SERVICES	in €m	0	−4	58	505	522	679[6]	568[1]	692
Corporate divisions total	in €m	544	933	1,100	2,698	2,817	3,266	3,221	3,425
Other/Consolidation	in €m	15	−100	−179	−319	−270[8]	−297[6]	−246[1,2,4,7]	−78
Total	in €m	**559**	**833**	**921**	**2,379**	**2,547**	**2,969**[6]	**2,975**	**3,347**
EBIT	in €m	**556**	**827**	**851**	**2,235**	**2,376**[8]	**2,520**[6]	**2,656**	**2,977**
Net profit for the period	in €m	**751**	**925**	**1,029**	**1,527**	**1,587**[8]	**1,590**	**1,342**	**1,725**
Cash flow/investments/ depreciation and amortization									
Cash flow from operating activities	in €m	895	−397	4,514	2,216	3,059	2,967	3,006	2,336
Cash flow from investing activities	in €m	−208	−250	−2,983	−2,098	−2,380	−2,226	−2,133	−385
Cash flow from financing activities	in €m	−590	228	−364	−89	−619	147	−304	−493
Investments	in €m	1,084	1,400	4,553	3,113	3,468	3,100	2,846	2,536
Depreciation and amortization	in €m	743	741	993	1,204	1,285	1,893	1,693	1,837
Asset and capital structure									
Noncurrent assets	in €m	9,907	9,485	9,791	11,081	12,304	14,536	15,957	16,028
Current assets (including deferred tax assets)	in €m	3,883	5,635	65,225	139,199	144,397	148,111	138,976	137,329
Equity	in €m	994	1,765	2,564	4,001	5,353	5,095	6,106	7,217
Minority interest	in €m	226	229	56	79	75	117	59	1,611
Provisions	in €m	9,293	9,302	11,009	11,107	10,971	12,684	12,673	12,439
Liabilities[9]	in €m	3,265	3,792	5,913	9,723	8,770	11,900	12,778	15,064
Total assets	in €m	**13,790**	**15,120**	**75,016**	**150,280**	**156,701**	**162,647**	**154,933**	**153,357**

1) Prior-period amounts restated due to restructuring of Mail International Business Division and other portfolio optimization measures
2) Prior-period amounts restated due to reclassification of Deutsche Post Com GmbH from Other/Consolidation to the MAIL Corporate Division
3) Prior-period amounts restated due to restructuring of EXPRESS and LOGISTICS Corporate Divisions
4) Prior-period amounts restated due to reclassification of DHL Fulfilment GmbH from Other/Consolidation to the EXPRESS Corporate Division
5) Prior-period amounts restated due to reclassification of retail outlet operations from Other/Consolidation to the FINANCIAL SERVICES Corporate Division
6) Prior-period amounts restated due to reclassification of interest cost on provisions for pensions and other interest-bearing provisions from EBITA to net finance costs
7) Prior-period amounts restated due to reclassification of interServ Gesellschaft für Personal- und Beraterdienstleistungen mbH from the MAIL Corporate Division to Other/Consolidation
8) Prior-period amounts restated: see item 7 of notes to the 2002 Annual Report
9) Excluding liabilities from financial services

1997 – 2004		1997	1998	1999	2000	2001	2002	2003	2004
Employees/staff costs									
Total workforce (headcount including trainees)	at Dec. 31	270,817	260,520	301,229	324,203	321,369	371,912	383,173	379,828
Workforce calculated as FTEs (including trainees)	at Dec. 31	233,350	223,863	264,424	284,890	283,330	334,952	348,781	346,631
Average workforce		277,538	263,342	304,265	319,998	323,298	375,890	375,096	381,492
Staff costs	in €m	9,992	9,860	11,503	11,056	11,246	13,313[7)]	13,329	13,744
Staff costs ratio[10)]	in %	70.7	67.2	51.4	33.8	33.7	33.9	33.3	31.8
Key figures Revenue/income/ asset and capital structure									
Return on sales[11)]	in %	4.0	5.7	4.1	7.3	7.6	7.6	7.4	7.8
Return on equity (RoE) before taxes[12)]	in %	133.8	63.1	35.9	62.1	45.9	35.5	34.2	32.4
Return on capital employed (ROCE)[13)]	in %	4.7	5.7	1.9	2.0	1.5	1.6	1.7	1.9
Tax rate[14)]	in %	−41.2	−6.3	−32.6	25.1	26.1	14.3	29.9	20.0
Equity ratio[15)]	in %	7.2	11.7	3.4	2.7	3.4	3.1	3.9	4.7
Net debt (Postbank at equity)[16)]	in €m	n/a	n/a	1,361	2,010	1,750	1,494	2,044	−32
Net gearing (Postbank at equity)[17)]	in %	n/a	n/a	34.8	33.4	24.6	22.7	25.1	−0.4
Dynamic gearing (Postbank at equity)[18)]	in years	n/a	n/a	0.31	0.96	0.64	0.46	0.82	0.00
Key stock data									
(Diluted) earnings per share[19)]	in €	0.67	0.83	0.92	1.36	1.42	0.59	1.18	1.43
(Diluted) earnings per share[19)] before extraordinary expense	in €	0.67	0.83	0.92	1.36	1.42	1.41	1.18	1.43
Cash flow[20)] per share[19)]	in €	0.80	−0.36	4.05	1.99	2.75	2.67	2.70	2.10
Dividend distribution	in €m	55.64	155.79	178.05	300.46	411.74	445.12	489.63	556.40
Distribution ratio (distribution to consolidated net profit)	in %	7.43	16.84	17.39	19.87	26.11	67.54	37.41	35.04
Dividend per share[19)]	in €	0.05	0.14	0.16	0.27	0.37	0.40	0.44	0.50
Dividend yield (based on year-end closing price)	in %	n/a	n/a	n/a	1.2	2.5	4.0	2.7	3.0
(Diluted) price/earnings ratio before extraordinary expense[21)]		n/a	n/a	n/a	16.8	10.6	7.1	13.9	11.8
Number of shares carrying dividend rights	in millions	1,112.8	1,112.8	1,112.8	1,112.8	1,112.8	1,112.8	1,112.8	1,112.8
Year-end closing price	in €	n/a	n/a	n/a	22.90[22)]	14.99	10.00	16.35	16.90

10) Staff costs/revenue
11) Total EBITA/revenue
12) Profit from ordinary activities/average equity
13) Profit from operating activities (EBIT)/average total assets
14) Income tax expense/profit from ordinary activities
15) Equity/total assets
16) Financial liabilities excluding securities, cash and cash equivalents, and long-term deposits
17) Net debt/net debt and equity
18) Net debt/cash flow from operating activities
19) To enhance comparability, the calculation was based on the number of shares after the increase in share capital and the conversion to euros, as well as conversion to 1,112,800,000 no-par value shares (1997–1999: 42,800,800 shares)
20) Cash flow from operating activities
21) Year-end closing price/earnings per share before extraordinary expense
22) Deutsche Post AG went public on November 20, 2000. Share price data has only been available since this date

n/a = not available

Financial calendar	
March 22, 2005	Publication of 2004 Annual Report Financials press conference and analyst conference [1]
May 9, 2005	Publication of interim report as of March 31, 2005 Analyst conference call [1]
May 18, 2005	Annual General Meeting in Cologne [2]
May 19, 2005	Dividend payment
July 28, 2005	Publication of interim report as of June 30, 2005 Financials press conference and analyst conference call [1]
November 10, 2005	Publication of interim report as of September 30, 2005 Analyst conference call [1]
Further Investor Relations dates	
April 8, 2005 – April 10, 2005	Invest 2005 private investor fair (Stuttgart)
April 12, 2005	Dresdner Kleinwort Wasserstein Business Services Conference (London)
May 12, 2005 – May 13, 2005	Bear Stearns Global Transportation Conference (New York)
June 1, 2005	Deutsche Bank German Corporate Conference 2005 (Frankfurt am Main)
June 9, 2005	Goldman Sachs Business Services Conference (London)

1) **Live Internet broadcast** of entire event at http://investors.dpwn.com
2) **Live Internet broadcast** of the speech by the Chairman of the Board of Management at http://investors.dpwn.com

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