Interim Report

January to June 2006

Deutsche Post World Net
MAIL EXPRESS LOGISTICS FINANCE

Key figures

		H1			Q2		
		2005 restated	2006	+/– %	2005 restated	2006	+/– %
The Group							
Revenue	€m	21,484	29,303	36.4	10,958	14,488	32.2
Profit from operating activities (EBIT)	€m	1,672	1,558	–6.8	792	641	–19.1
Return on sales[1]	%	7.8	5.3		7.2	4.4	
MAIL							
Revenue	€m	6,351	6,459	1.7	3,092	3,145	1.7
Profit from operating activities (EBIT)	€m	1,102	1,024	–7.1	459	350	–23.7
Return on sales[1]	%	17.4	15.9		14.8	11.1	
EXPRESS							
Revenue	€m	8,792	9,209	4.7	4,591	4,587	–0.1
Profit from operating activities (EBIT)	€m	237	5	–97.9	160	42	–73.8
Return on sales[1]	%	2.7	0.1		3.5	0.9	
LOGISTICS							
Revenue	€m	3,560	9,918	178.6	1,886	4,950	162.5
Profit from operating activities (EBIT)	€m	133	324	143.6	67	170	153.7
Return on sales[1]	%	3.7	3.3		3.6	3.4	
FINANCIAL SERVICES							
Revenue and income from banking transactions	€m	3,449	4,573	32.6	1,756	2,218	26.3
Profit from operating activities (EBIT)	€m	432	464	7.4	214	243	13.6
SERVICES							
Revenue	€m	2,736	2,908	6.3	1,389	1,409	1.4
Loss from operating activities (EBIT)	€m	–201	–259	–28.9	–108	–164	–51.9
Other key figures							
Consolidated net profit for the period[2]	€m	947	736	–22.3	488	254	–48.0
Operating cash flow (Postbank at equity)	€m	912	319	–65.0	n/a	n/a	
Net debt (Postbank at equity)[3]	€m	3,959	5,296[4]	33.8	n/a	n/a	
Cash flow per share (Postbank at equity)	€	0.82	0.27	–67.1	n/a	n/a	
Basic earnings per share	€	0.85	0.62	–27.1	0.44	0.22	–50.0
Diluted earnings per share	€	0.85	0.61	–28.2	0.44	0.21	–52.3
Number of employees[5]		347,607	461,240	32.7	n/a	n/a	

1) EBIT/revenue
2) Consolidated net profit excluding minorities
3) As of December 31, 2005, and June 30, 2006
4) Adjusted for financial liabilities to Williams Lea minority shareholders
5) Average FTEs

Milestones

In Q2 2006	
May 13	Collective wage negotiations between Deutsche Post AG and ver.di successfully concluded
May 22	DHL becomes lead logistics provider for Unisys's after-market service parts business
May 24	DHL expands business activities in Russia
June 1	HypoVereinsbank and Postbank sign preliminary agreement on payment transactions
June 8	DHL opens state-of-the-art logistics center in Greven
June 12	DHL assumes responsibility for EMI Music France's entire supply chain
June 20	Deutsche Post World Net publishes first Sustainability Report

After June 30, 2006	
July 1	DHL cuts package prices in Germany
July 3	Deutsche Post calls exchangeable bond on Postbank stock prior to maturity
July 11	Deutsche Post World Net joins United Nations Global Compact
July 12	KfW sells Deutsche Post AG shares

Deutsche Post World Net
is the global market leader in terms of logistics. Our Deutsche Post, DHL and Postbank brands stand for a broad range of services for managing and transporting mail, goods and information. About 500,000 employees in more than 220 countries and territories on all five continents provide superior logistics services to help our customers be even more successful in their markets.

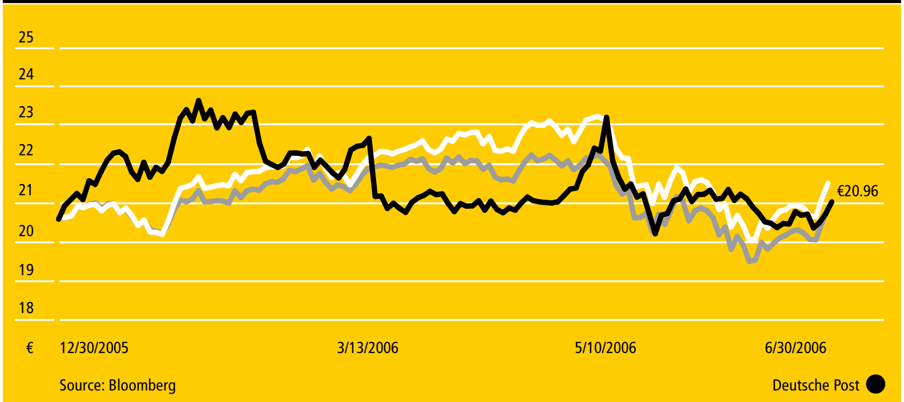
What we have delivered in H1 2006:
We were able to increase revenue in all corporate divisions during the period under review, especially in our international mail and parcel business, as well as in our restructured logistics division. The integration of Exel, BHW and Williams Lea is on schedule, but as expected, this has yet to be reflected in earnings.

What we want to deliver by the end of 2006:
We will continue the rapid pace of our integration measures and further improve service quality. In the United States we want to maintain the high quality of service we have now achieved. By calling the exchangeable bond on Postbank stock prior to maturity, we will be able to reduce our net debt by approximately €1 billion.

Contents

Deutsche Post stock

Share price **+/– %**



Closing prices on the last trading day

		Dec. 30, 2005	June 30, 2006	+/– %
Deutsche Post	€	20.48	20.96	2.3
TNT	€	26.40	27.98	6.0
FedEx	US$	103.39	116.86	13.0
UPS	US$	75.15	82.33	9.6

1) Rebased to the closing price of Deutsche Post stock on December 30, 2005

Deutsche Post stock performs in line with the market

Following a positive first quarter both the DAX and the EURO STOXX 50 continued their upward trend in early Q2 2006. Both equity indices hit their high to date this year at the beginning of May. However, clouded economic forecasts, particularly in the United States, and a possible further increase in key interest rates caused this development to falter. The DAX thus closed the end of June at 5,683 points, up 5.1% in the first half of the year. The EURO STOXX 50 rose by only 2.0% to 3,649 points.

In April our share price initially moved in tandem with the two indices. However, it rose sharply in the run-up to the Annual General Meeting on May 10. Our shares closed at €23.29 on that day. By the end of June they again fell in line with the market and closed Q2 2006 up 1.3%, at €20.96. Our shares increased in value by 2.3% over the entire period under review.

Our stock data

		Dec. 30, 2005	June 30, 2006
Number of shares[1)]	millions	1,192.6	1,194.0
Closing price	€	20.48	20.96
Market capitalization	€m	24,424	25,026

		H1 2005	H1 2006
High	€	19.77	23.85
Low	€	16.48	19.93
Average trading volume per day	shares	3,309,391	5,320,580

1) Increase due to the exercise of options from the 2001 and 2002 SOP tranches

Milestones

Deutsche Post AG and ver.di enter into collective wage agreement until 2008

On May 13, 2006, Deutsche Post AG and ver.di quickly and successfully completed collective wage negotiations for the company's approximately 130,000 employees. Both parties approved a 24-month agreement, which began on May 1, 2006. The agreement includes a one-time payment of €250 for the first six months. From November 2006 to October 2007, wages and salaries will increase by 3%, and then by another 2.5% until April 2008. This corresponds to a wage increase of 2.3% during the first year of the agreement and of 2% during the second year. Civil servants will receive a one-time payment of €110 in May 2007.

DHL cuts package prices in Germany

As announced in May, DHL cut package prices in Germany as of July 1, 2006, and reduced the number of weight classes from three to two. It now costs €6.90 to dispatch a 10kg package (previously €10.50) and €9.90 for a 20kg package (previously €14). Customers can save an additional one euro if they buy their parcel stamps online or at one of the approximately 700 Packstations. Prices for national small packages had already been reduced from €4.30 to €3.90 on May 4. Lower prices and simplified weight classes meet customer needs and make parcel dispatch even more attractive in an era of booming e-commerce.

Exchangeable bond on Postbank stock called prior to maturity

Due to Postbank's positive share performance, Deutsche Post AG exercised the option provided for in the bond terms and conditions to call the exchangeable bond on Postbank stock prior to maturity on July 3, 2006. Bondholders were able to exchange the exchangeable bond for Postbank stock until July 24, 2006. A total of 27.3 million shares were exchanged. Following this transaction, Deutsche Post holds a 50.1% interest in Postbank.

KfW sells Deutsche Post AG shares

On July 12, 2006 KfW Bankengruppe (KfW) announced the sale of Deutsche Post AG shares worth up to €1.5 billion, including the exercise of an overallotment option (greenshoe) of up to 15%. The placement was aimed at institutional investors and used an accelerated bookbuilding procedure. Excluding the greenshoe, the transaction increases Deutsche Post's free float from 58% to approximately 64%. The free float will rise to approximately 65% if the greenshoe is exercised in full. The lock-up period expires on December 31, 2006. KfW has pledged not to sell any further Deutsche Post AG shares to institutional investors until that date.

Report by the Board of Management

Economic environment

While the global economy was extremely robust at the beginning of the year, the economic situation changed over the course of the first six months of 2006. Upward trends grew even stronger in some regions, while in other regions there were increasing signs that the pace of growth was slowing down.

The economic cycle in the United States is therefore likely to have peaked during the first six months of 2006. Faced with growing risks of inflation, the Federal Reserve successively raised its key lending rate by one percentage point to its current 5.25%.

The Japanese economy maintained its upward trend. The level of corporate investments recorded very positive growth. Consumer spending also continued to support economic growth. Economic development was again outstanding in China, where growth continued to accelerate.

While the economy perked up in the euro zone over the entire reporting period, it was especially strong during the second quarter. Business confidence in economic growth recently rose sharply. Exports as well as consumer spending provided additional stimuli. In light of this and a slight increase in the risk of inflation, the European Central Bank raised its key lending rate by half a percentage point to 2.75%.

The German economy's upturn at the end of H1 2006 is rooted in a broad domestic and foreign trade basis. Growth in industrial output was at its strongest since 2000. The ifo business climate index is currently only marginally below its all-time high, recorded in early 1991 during the post-reunification boom.

Business developments

Note 3

Deutsche Post World Net acquired a 100% interest in the logistics company Exel plc, Bracknell, UK, (Exel) in December 2005. Exel was provisionally included in the consolidated financial statements as of December 31, 2005 at its IFRS carrying amounts. As a result of the purchase price allocation of Exel, the amounts in the consolidated balance sheet changed as of December 31, 2005.

The creation of the new SERVICES Corporate Division resulted in a further adjustment to the prior-year figures. Cross-segment service functions have been reported as a separate segment since fiscal year 2006 to improve their management and ensure their transparent presentation.

Consolidated revenue and **income from banking transactions** rose by 36.4% during the first six months of 2006 to €29,303 million (previous year: €21,484 million). The increase is largely due to the first-time inclusion of the revenue of the Exel group in the current fiscal year. Excluding Exel, consolidated revenue amounted to €23,582 million. The share of consolidated revenue generated outside Germany rose to 59.2% as against 49.4% in H1 2005. Revenue and income from banking transactions contained a total of €6,704 million in acquisition effects. These were due mainly to Exel and BHW, as well as Williams Lea, acquired in March 2006. Positive currency effects increased revenue by €169 million.

Other operating income decreased by €170 million to €1,056 million, due primarily to income from the reversal of a VAT provision in 2005. Exel contributed €49 million to the Group's other operating income. Furthermore, we recorded one-time gains during the period under review in the amount of €89 million (net), resulting from the positive outcome of arbitration proceedings with Deutsche Telekom, and €10 million from the sale of McPaper AG. Note 6

At €2,264 million, **other operating expenses** exceeded the prior-year figure by €206 million. This includes €132 million in expenses for the Exel group. Additionally, Deutsche Postbank in particular contributed to the increase in other operating expenses, due in part to its acquisition of BHW. Note 6

Materials expense and **expenses from banking transactions** amounted to €16,464 million during H1 2006 (previous year: €11,192 million). €3,483 million of the €5,272 million increase is attributable to Exel, and is primarily due to transportation costs. In addition, expenses from banking transactions increased by €866 million, largely due to the BHW acquisition. **Staff costs** were also heavily impacted by the aforementioned acquisitions. These increased by €2,098 million to €9,254 million. €1,790 million of this is attributable to Exel. **Depreciation, amortization and impairment losses** increased by €187 million to €819 million as against H1 2005, again primarily due to acquisitions.

At €1,558 million, **profit from operating activities (EBIT)** in H1 2006 decreased by 6.8% year-on-year. As expected, compared with the previous year, integration expenses, the lack of high one-time gains from the previous year and the situation in our express business in the Americas region impacted EBIT.

Net finance costs increased from €361 million to €490 million. This increase is primarily due to interest expense resulting from the initial consolidation of Exel. Additionally, net income from associates included proceeds in the previous year from the sale of trans-o-flex.

As a result, **profit from ordinary activities** amounted to €1,068 million (previous year: €1,311 million). The **income tax expense** amounted to €213 million in the first six months, down €44 million year-on-year. At 19.9%, the tax rate was on a level with the previous year.

Overall, we generated **consolidated net profit for the period** of €855 million for H1 2006 (previous year: €1,054 million). €736 million of this was attributable to Deutsche Post AG shareholders and €119 million to minorities. Basic earnings per share decreased from €0.85 to €0.62. Diluted **earnings per share** were €0.61.

Operating cash flow (Postbank at equity) fell by €593 million as against the previous year to €319 million. This is mainly due to a stronger reduction in liabilities in addition to the lower net profit before taxes. **Net cash used in investing activities** (Postbank at equity) totaled €532 million in the period under review (previous year: €731 million). This includes payments for acquisitions (in particular Williams Lea) amounting to €401 million and for other noncurrent assets amounting to €738 million. These were partly offset by cash inflows, primarily from the disposal of noncurrent assets, amounting to €430 million. In the "Postbank at equity" scenario, **net cash used in financing activities** amounted to €112 million (previous year: €739 million). Cash inflows amounting to €876 million from the increase in financial liabilities, chiefly attributable to borrowings by Deutsche Post AG, were offset by dividend payments to Deutsche Post AG shareholders in the amount of €836 million and interest expenses. **Cash and cash equivalents** (Postbank at equity) decreased from €1,384 million to €1,088 million in the first six months of 2006.

Note 3

Compared with December 31, 2005, **net debt** (Postbank at equity) grew from €3,959 million to €5,296 million as of June 30, 2006. Financial liabilities to Williams Lea minority shareholders were not included in net debt. As a result, **net gearing** (Postbank at equity) rose from 26.8% at December 31, 2005 to 34.6% at June 30, 2006.

The Group's **capital expenditure (capex)**, i.e. investments in property, plant and equipment and intangible assets (excluding goodwill), amounted to a cumulative total of €785 million as of June 2006. Our investment activities focused on the expansion of our international network structures and the development of customized transportation and logistics solutions. Investments declined by 3.8% year-on-year.

In the MAIL Corporate Division, we invested chiefly in technical equipment for our national mail centers and purchased replacement equipment relating to the operation of our mail network. In the EXPRESS Corporate Division, we concentrated in Germany on the creation of customized transportation solutions. In Europe, we renewed our vehicle fleet in certain countries and continued to expand our network structure. We also invested in the expansion of our network in the United States. Distribution centers and supply chain solutions were at the heart of our LOGISTICS investing activities. Postbank's primary investments were in connection with the integration of BHW. In addition, we made cross-divisional investments as in the previous year; the main focus of these investments is described in the i 2005 Annual Report.

i http://investors.dpwn.com

Corporate Divisions

Segments by corporate division January 1 to June 30, 2006

€m	MAIL	EXPRESS	LOGISTICS	FINANCIAL SERVICES	SERVICES	Consolidation	Group
External revenue	6,105	8,931	9,851	4,289	127	0	29,303
Internal revenue	354	278	67	284	2,781	–3,764	0
Total revenue	6,459	9,209	9,918	4,573	2,908	–3,764	29,303
Profit or loss from operating activities (EBIT)	1,024	5	324	464	–259	0	1,558
Net income from associates	0	2	1	0	0	0	3
Segment assets[2]	4,750	11,010	12,469	180,267	3,684	–1,324	210,856
Investments in associates[2]	22	20	15	0	25	0	82
Segment liabilities including non-interest-bearing provisions[2]	2,096	3,449	3,794	168,249	1,989	–1,285	178,292
Segment investments	841	340	258	1,538	209	–37	3,149
Depreciation, amortization and write-downs	149	176	186	78	230	0	819
Other non-cash expenses	49	114	77	243	48	0	531
Employees[3]	130,018	127,783	148,311	22,782	32,346	0	461,240

Segments by corporate division January 1 to June 30, 2005

€m	MAIL	EXPRESS[1]	LOGISTICS[1]	FINANCIAL SERVICES[1]	SERVICES[1]	Consolidation[1]	Group
External revenue	6,008	8,641	3,495	3,212	128	0	21,484
Internal revenue	343	151	65	237	2,608	–3,404	0
Total revenue	6,351	8,792	3,560	3,449	2,736	–3,404	21,484
Profit or loss from operating activities (EBIT)	1,102	237	133	432[4]	–201	–31	1,672[4]
Net income from associates	0	55	0	0	0	0	55
Segment assets[2]	3,664	11,595	13,005[5]	138,787	4,077	–3,471	167,657[5]
Investments in associates[2]	22	19	23	0	14	0	78
Segment liabilities including non-interest-bearing provisions[2]	1,926	3,947	4,038[5]	129,136	3,476	–3,303	139,220[5]
Segment investments	87	531	72	90	370	–94	1,056
Depreciation, amortization and write-downs	155	150	55	72	200	0	632
Other non-cash expenses	66	64	10	138	61	0	339
Employees[3]	129,200	125,638	36,033	22,169	34,567	0	347,607

Segments by region January 1 to June 30

	Germany		Europe excluding Germany		Americas		Asia Pacific		Other regions		Group	
€m	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
External revenue	10,869	11,956	5,401	8,693	3,260	5,405	1,539	2,786	415	463	21,484	29,303
Segment assets[2), 5)]	132,932	166,298	19,767	29,892	10,495	10,623	3,978	3,671	485	372	167,657	210,856
Segment investments	264	1,815	256	883	282	348	245	88	9	15	1,056	3,149

1) Prior-period amounts restated, see note 7
2) As of December 31, 2005, and June 30, 2006
3) Average FTEs
4) Prior-period amounts restated due to a change in an accounting policy in accordance with IAS 8.22 (see statement of changes in equity)
5) Prior-period amounts restated, see note 3

Segments by corporate division Q2 2006

€m	MAIL	EXPRESS	LOGISTICS	FINANCIAL SERVICES	SERVICES	Consolidation	Group
External revenue	2,972	4,464	4,916	2,077	59	0	14,488
Internal revenue	173	123	34	141	1,350	–1,821	0
Total revenue	3,145	4,587	4,950	2,218	1,409	–1,821	14,488
Profit or loss from operating activities (EBIT)	350	42	170	243	–164	0	641
Net income from associates	0	2	0	0	0	0	2
Segment investments	807	210	138	85	102	–33	1,309
Depreciation, amortization and write-downs	79	88	101	40	119	0	427
Other non-cash expenses	15	33	42	115	31	0	236

Segments by corporate division Q2 2005

€m	MAIL	EXPRESS[1]	LOGISTICS[1]	FINANCIAL SERVICES[1]	SERVICES[1]	Consolidation[1]	Group
External revenue	2,911	4,500	1,847	1,636	64	0	10,958
Internal revenue	181	91	39	120	1,325	–1,756	0
Total revenue	3,092	4,591	1,886	1,756	1,389	–1,756	10,958
Profit or loss from operating activities (EBIT)	459	160	67	214[2]	–108	0	792[2]
Net income from associates	0	55	0	0	0	0	55
Segment investments	34	360	58	67	266	–94	691
Depreciation, amortization and write-downs	78	85	18	36	107	0	324
Other non-cash expenses	37	–17	1	68	37	0	126

Segments by region Q2

	Germany		Europe excluding Germany		Americas		Asia Pacific		Other regions		Group	
€m	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
External revenue	5,391	5,640	2,744	4,505	1,733	2,721	863	1,402	227	220	10,958	14,488
Segment investments	176	211	133	772	195	261	186	55	1	10	691	1,309

1) Prior-period amounts restated, see note 7
2) Prior-period amounts restated due to a change in an accounting policy in accordance with IAS 8.22 (see statement of changes in equity)

MAIL Corporate Division

MAIL		H1		+/– %	Q2		+/– %
		2005	2006		2005	2006	
Revenue	€m	6,351	6,459	1.7	3,092	3,145	1.7
of which Mail Communication	€m	3,215	3,084	–4.1	1,565	1,437	–8.2
Direct Marketing	€m	1,379	1,348	–2.2	645	622	–3.6
Press Distribution	€m	404	413	2.2	205	209	2.0
Mail International/ Value-added Services	€m	1,010	1,260	24.8	496	704	41.9
Internal revenue	€m	343	354	3.2	181	173	–4.4
Profit from operating activities (EBIT)	€m	1,102	1,024	–7.1	459	350	–23.7
Return on sales[1)]	%	17.4	15.9		14.8	11.1	

1) EBIT/revenue

In the first half of 2006, the MAIL Corporate Division increased its revenue by 1.7% to €6,459 million (previous year: €6,351 million). Since April 1, 2006 we have included the mail and document service provider Williams Lea in the Mail International and Value-added Services Business Divisions, where we also achieved organic growth. We were able to more than offset the expected decline in revenue at the national level with international business. As in the past, currency effects were negligible.

The emerging upturn in the domestic economy in the first half of 2006 has not yet reached the key sectors and markets that are relevant to us. As expected, electronic substitution and increasing competition also impacted our Mail Communication Business Division: at €3,084 million, revenue was down on the previous year's figure of €3,215 million. The decline in the second quarter is due to three fewer working days. In addition, we were obliged to cut the prices of our *Kompaktbrief* product by 5 cents in 2006 in accordance with the price-cap procedure. This had a negative effect on revenue of around €20 million in the first half of the year.

Mail Communication (Deutsche Post AG share)	H1		+/– %	Q2		+/– %
mail items (millions)	2005	2006		2005	2006	
Business customer letters	3,636	3,537	–2.7	1,745	1,632	–6.5
Private customer letters	668	647	–3.1	327	309	–5.5
Total	**4,304**	**4,184**	**–2.8**	**2,072**	**1,941**	**–6.3**

The positive business climate in Germany has yet to be equally reflected in the advertising climate in the customer sectors that are relevant to us; the mail order sector in particular remains muted. In addition, the traditional seasonal pattern was more pronounced this year due to the football World Cup: vigorous advertising activities in the first quarter were followed by a weaker second quarter. Overall, the Direct Marketing Business Division was only able to stabilize its revenue for the first six months at €1,348 million – roughly on a level with the previous year (€1,379 million).

Direct Marketing (Deutsche Post AG share)

	H1		+/– %	Q2		+/– %
mail items (millions)	**2005**	**2006**		**2005**	**2006**	
Infopost/Infobrief (addressed advertising mail)	3,343	3,235	–3.2	1,636	1,521	–7.0
Postwurfsendung/Postwurf Spezial (unaddressed/partly addressed advertising mail)	1,959	2,009	2.6	936	859	–8.2
Total	**5,302**	**5,244**	**–1.1**	**2,572**	**2,380**	**–7.5**

The Press Distribution Business Division again increased its revenue in the first half of the year, by 2.2% to €413 million (previous year: €404 million).

Our international business again recorded the strongest revenue growth: in the first six months, revenue in the Mail International and Value-added Services Business Divisions rose by 24.8% to €1,260 million (previous year: €1,010 million). This primarily reflects the initial inclusion of Williams Lea as of April 1, 2006. In addition to external revenue growth of €184 million, we also achieved significant organic growth in this area. The two business divisions now account for 19.5% of the corporate division’s revenue.

However, our fast-growing revenues from the international business are not achieving the margins that we generate in Germany. As a result, profit from operating activities (EBIT) fell by 7.1% from €1,102 million in the previous year to €1,024 million. The return on sales amounted to 15.9%.

EXPRESS Corporate Division

EXPRESS		H1		+/– %	Q2		+/– %
		2005 restated	2006		2005 restated	2006	
Revenue	€m	8,792	9,209	4.7	4,591	4,587	–0.1
of which Europe	€m	5,707	5,816	1.9	2,924	2,893	–1.1
Americas	€m	2,190	2,177	–0.6	1,154	1,068	–7.5
Asia Pacific	€m	986	1,175	19.2	546	606	11.0
Emerging Markets (EMA)	€m	402	466	15.9	211	242	14.7
Consolidation	€m	–493	–425	13.8	–244	–222	9.0
Profit from operating activities (EBIT)	€m	237	5	–97.9	160	42	–73.8
Return on sales[1]	%	2.7	0.1		3.5	0.9	

1) EBIT/revenue

In the EXPRESS Corporate Division, the figures for the first half of 2005 were restated because we have reported cross-segment service functions in the SERVICES Corporate Division since the beginning of 2006. In addition, we changed the method of transfer pricing between the regions, which is reflected in a reduction of internal revenue in the segment. This impacts neither the corporate division's total revenue nor its profit from operating activities (EBIT).

In the first six months of 2006, the corporate division increased its revenue by 4.7% to €9,209 million (previous year: €8,792 million). All regions made a positive contribution to this, with the exception of the Americas region. Positive currency effects amounting to €90 million were recorded in the period under review.

As in the first three months of 2006, growth in Europe was impacted by disposals in the previous year, including Fuelserv in the United Kingdom and the Scandinavian Fulco group. We recorded growth in national freight products in Germany, although competition in the domestic parcel business became fiercer and we countered this by cutting prices. Revenue from international parcel and freight products increased again. Total revenue in the Europe region was €5,816 million (previous year: €5,707 million).

In the Americas region, we were able to stabilize revenue in Q2 compared with the first three months of 2006. As expected, H1 revenue fell by 0.6% year-on-year to €2,177 million (previous year: €2,190 million). We have already received positive customer feedback and we can offer our services at competitive prices due to our high level of service.

Revenue in the Asia Pacific region again increased, by 19.2% to €1,175 million (previous year: €986 million). All subregions made a double-digit contribution at an operational level.

The Emerging Markets (EMA) also recorded double-digit revenue growth of 15.9% in the first six months to €466 million (previous year: €402 million). This region's key growth countries include Russia, Turkey and Greece.

The corporate division's profit from operating activities (EBIT) fell from €237 million in the first six months of the previous year to €5 million. The result in the second quarter improved by around €80 million as against Q1, due in particular to the Americas region.

LOGISTICS Corporate Division

LOGISTICS		H1 2005 restated	H1 2006	+/– %	Q2 2005 restated	Q2 2006	+/– %
Revenue	€m	3,560	9,918	178.6	1,886	4,950	162.5
of which DHL Global Forwarding	€m	2,603	4,458	71.3	1,379	2,231	61.8
DHL Exel Supply Chain	€m	963	5,662	488.0	510	2,835	455.9
Consolidation/other	€m	–6	–202	–3,266.7	–3	–116	–3,766.7
Profit from operating activities (EBIT)	€m	133	324	143.6	67	170	153.7
Return on sales[1]	%	3.7	3.3		3.6	3.4	

1) EBIT/revenue

In the LOGISTICS Corporate Division, the prior-year figures were restated because we now report cross-segment service functions in the SERVICES Corporate Division.

Business in the restructured LOGISTICS Corporate Division continued to develop positively in terms of integration, profitability and growth. Revenue amounted to €9,918 million in the first half of the year (previous year: €3,560 million), with both business divisions recording sustained organic growth. Acquisition effects totaled €5,661 million, most of which related to the purchase of Exel. Exchange rate effects were positive at €70 million.

DHL Global Forwarding continued to perform well in all areas and generated revenue of €4,458 million (previous year: €2,603 million). This corresponds to growth of 71.3%, which was achieved both organically and through acquisitions.

DHL Global Forwarding: revenue by area

€m	H1 2005	H1 2006	+/– %	Q2 2005	Q2 2006	+/– %
Air freight	1,285	2,446	90.4	677	1,259	86.0
Ocean freight	898	1,247	38.9	481	641	33.3
Other[1]	420	765	82.1	221	331	49.8
Total	**2,603**	**4,458**	**71.3**	**1,379**	**2,231**	61.8

1) Previously reported under Projects/other

As in prior periods, the organic growth recorded by air freight was primarily attributable to an increase in volumes. Fuel and security surcharges continued to raise revenue. This was offset by greater movements of goods on some flight routes with lower freight rates. The operational growth in ocean freight was attributable to higher transportation volumes, which more than offset the slight decline in freight rates. The other areas profited in particular from the acquisition of Exel.

DHL Global Forwarding: volumes

thousands		H1 2005	H1 2006	+/– %	Q2 2005	Q2 2006	+/– %
Air freight	Tonnage	1,086	1,899	74.9	575	957	66.4
Ocean freight	TEUs[1]	605	1,038	71.6	325	534	64.3

1) Twenty-foot equivalent units

The DHL Exel Supply Chain Business Division generated revenue of €5,662 million (previous year: €963 million) and also recorded strong organic growth. Contract logistics profited in particular from Exel's activities and increased revenue in all sectors. Exel's market lead in the key fast moving consumer goods markets enabled the business division to achieve its highest absolute growth in this sector.

DHL Exel Supply Chain: revenue by sector

€m	H1 2005	H1 2006	+/– %	Q2 2005	Q2 2006	+/– %
Automotive	40	675	1,587.5	22	468	2,027.3
Pharma/healthcare	29	238	720.7	14	33	135.7
Electronics/telecommunications	348	888	155.2	174	461	164.9
Fast moving consumer goods	317	2,998	845.7	162	1,453	796.9
Textiles/fashion	193	395	104.7	119	159	33.6
Other	36	468	1,200.0	19	261	1,273.7
Total	**963**	**5,662**	**488.0**	**510**	**2,835**	**455.9**

Profit from operating activities (EBIT) was €324 million in the first six months of 2006 (previous year: €133 million). The 143.6% increase is due to both organic growth and the acquisition of Exel. It includes €109 million that relates to the adjustment in the accounting policy applied to pensions. The profit also includes the amortization of intangible assets arising from the purchase price allocation, as well as integration expenses. The return on sales amounted to 3.3% in the period under review.

Note 3

FINANCIAL SERVICES Corporate Division

FINANCIAL SERVICES	H1		+/– %	Q2		+/– %
€m	2005 restated	2006		2005 restated	2006	
Revenue and income from banking transactions	3,449	4,573	32.6	1,756	2,218	26.3
Profit from operating activities (EBIT)	432	464	7.4	214	243	13.6

The FINANCIAL SERVICES Corporate Division consists primarily of Postbank. As of January 1, 2006, Postbank acquired 850 retail outlets from Deutsche Post AG by purchasing DP Retail GmbH. Since then, we have reported the remaining retail outlets in the SERVICES Corporate Division. We have restated the prior-period amounts accordingly.

In addition, we report the Pension Service in the FINANCIAL SERVICES Corporate Division.

Deutsche Postbank AG describes its business development in the first half of 2006 in its own interim report, published on July 28, 2006.

http://ir.postbank.com

In the period under review, the FINANCIAL SERVICES Corporate Division generated revenue and income from banking transactions of €4,573 million – up 32.6% on the prior-year figure of €3,449 million. Income from banking transactions comprises income from interest, fees and commissions, and trading transactions; it is equivalent to an industrial company's revenue. Postbank increased its income year-on-year, among others, as a result of acquisitions.

Despite expenses arising from the acquisition of BHW, the corporate division again improved its results: in the first six months, FINANCIAL SERVICES lifted its profit from operating activities (EBIT) by 7.4% from €432 million in the previous year to €464 million. In the second quarter alone, the corporate division increased its profit by 13.6% or €29 million.

SERVICES Corporate Division

SERVICES	H1		+/– %	Q2		+/– %
	2005	2006		2005	2006	
€m	restated			restated		
Revenue	2,736	2,908	6.3	1,389	1,409	1.4
Loss from operating activities (EBIT)	–201	–259	–28.9	–108	–164	–51.9

Since January 1, 2006, we have bundled internal services across the Group in our new SERVICES segment, with the goal of enhancing service quality and cutting costs. The new division includes the company's Global Business Services with the following areas: legal, insurance, procurement, finance operations, IT services, real estate, fleet management, global customer solutions and business consulting. The new corporate division's other components are the Corporate Center and the retail outlets that still belong to Deutsche Post, for example. SERVICES also reports income and expenses recorded by Deutsche Post AG that cannot be allocated to an individual corporate division. We report the services provided by internal service providers as internal revenue. The prior-period amounts were restated accordingly.

In the first six months of 2006, revenue increased by 6.3% to €2,908 million (previous year: €2,736 million).

At €259 million, the loss from operating activities (EBIT) in the first six months increased by 28.9% on the prior-year figure (loss of €201 million). The previous year's results included income from the reversal of provisions for VAT payments, which this year were not offset by additional income from the positive outcome of arbitration proceedings with Deutsche Telekom.

Risks

The VAT treatment of postal services in the EU remains the subject of intense debate. In the report on the first quarter of 2006, we mentioned the infringement proceedings opened by the European Commission against the Federal Republic of Germany on April 10, 2006, which relate to the VAT exemption for postal universal services provided by Deutsche Post AG. The proceedings continue to date. The European Commission granted the additional two-month extension requested by the Federal Republic of Germany for its response.

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Compared with the opportunities and risks presented in detail in the i 2005 Annual Report and in the first interim report for 2006, no significant additional risks arose for the Group in the first half of 2006.

Other information

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

The economic conditions for the Group have not changed significantly in the period under review.

Outlook

Growth of just under 5% is realistic for the global economy in 2006, although some more critical observers are forecasting a somewhat slower pace for the second half of the year.

- Economic growth in the United States appears to be slowing down. The real estate market is showing clear signs of weakness, which points to a decline in construction investment. Consumers are also less optimistic.
- Corporate investment and consumer spending should continue to drive growth in Japan. Neither Japan nor China is currently showing any signs of a sustained slowdown in its high pace of growth.
- The economic upturn should continue in the euro zone, albeit not at the same pace as in the first six months. At 2.2%, the euro zone is nevertheless expected to record its highest GDP growth since 2000.
- Sentiment in the German economy is good at the mid-point of 2006, suggesting a further increase in investment. In addition, the forthcoming VAT increase on January 1, 2007 is expected to trigger a pull-forward effect in consumer spending during the second half of the year. Economic growth is forecast at 1.8%.

We continue to expect the following business developments for 2006:

- For the MAIL Corporate Division, the Group is expecting revenue to remain stable or increase slightly, and is forecasting EBIT of around €2 billion.
- In the EXPRESS Corporate Division, we are predicting single-digit percentage revenue growth. The 2006 operating profit should be on a level with the previous year excluding goodwill impairment, i.e. at around €450 million.
- We are expecting the LOGISTICS Corporate Division to generate revenue of well over €18 billion. After integrating Exel, we modified the method previously used by this company to report pension obligations and adapted it to reflect the standard method used by Deutsche Post World Net. This lifts the division's results by around €200 million. We are therefore forecasting EBIT of at least €700 million for 2006.
- Revenue in the FINANCIAL SERVICES Corporate Division is also expected to increase due to the integration of BHW Holding, and we are predicting double-digit percentage growth in operating profit to at least €900 million.

For the current year, the Group is expecting revenue of a good €60 billion and EBIT of at least €3.9 billion, reflecting substantial one-time expenses for the integration of Exel and BHW.

Consolidated Interim Financial Statements

Income statement	H1		Q2	
January 1 to June 30	2005 restated[1)]	2006	2005 restated[1)]	2006
€m				
Revenue and income from banking transactions	21,484	29,303	10,958	14,488
Other operating income	1,226	1,056	548	470
Total operating income	**22,710**	**30,359**	**11,506**	**14,958**
Materials expense and expenses from banking transactions	–11,192	–16,464	–5,892	–8,242
Staff costs	–7,156	–9,254	–3,599	–4,636
Depreciation, amortization and impairment losses	–632	–819	–324	–427
Other operating expenses	–2,058	–2,264	–899	–1,012
Total operating expenses	**–21,038**	**–28,801**	**–10,714**	**–14,317**
Profit from operating activities (EBIT)	**1,672**	**1,558**	**792**	**641**
Net income from associates	55	3	55	2
Net other finance costs	–416	–493	–167	–247
Net finance costs	**–361**	**–490**	**–112**	**–245**
Profit from ordinary activities	**1,311**	**1,068**	**680**	**396**
Income tax expense	–257	–213	–134	–79
Consolidated net profit for the period	**1,054**	**855**	**546**	**317**
attributable to				
Deutsche Post AG shareholders	947	736	488	254
Minorities	107	119	58	63
€				
Basic earnings per share	**0.85**	**0.62**	**0.44**	**0.22**
Diluted earnings per share	**0.85**	**0.61**	**0.44**	**0.21**

1) Prior-period amounts restated, see note 3

Balance sheet

as of June 30, 2006

€m	Dec. 31, 2005 restated[1]	June 30, 2006
ASSETS		
Intangible assets	13,026	14,589
Property, plant and equipment	9,674	9,668
Investments in associates	78	82
Investment property	107	95
Other noncurrent financial assets	776	906
Noncurrent financial assets	**961**	**1,083**
Other noncurrent assets	373	350
Deferred tax assets	955	1,071
Noncurrent assets	**24,989**	**26,761**
Inventories	282	310
Noncurrent assets held for sale	28	2
Current tax receivables	576	670
Receivables and other assets	8,199	8,829
Receivables and other securities from financial services	136,213	177,212
Financial instruments	35	31
Cash and cash equivalents	2,084	2,064
Current assets	**147,417**	**189,118**
Total assets	**172,406**	**215,879**
EQUITY AND LIABILITIES		
Issued capital	1,193	1,194
Other reserves	2,021	1,338
Retained earnings	7,493	7,391
Equity attributable to Deutsche Post AG shareholders	**10,707**	**9,923**
Minority interest	1,833	1,697
Equity	**12,540**	**11,620**
Provisions for pensions and other employee benefits	5,756	6,183
Deferred tax liabilities	1,438	1,805
Other noncurrent provisions	2,517	4,562
Noncurrent provisions	**9,711**	**12,550**
Noncurrent financial liabilities	4,811	4,801
Other noncurrent liabilities	3,989	5,279
Noncurrent liabilities	**8,800**	**10,080**
Noncurrent provisions and liabilities	**18,511**	**22,630**
Current tax provisions	625	616
Other current provisions	1,825	1,749
Current provisions	**2,450**	**2,365**
Current financial liabilities	855	2,193
Trade payables	4,952	4,671
Liabilities from financial services	128,568	167,704
Current tax liabilities	655	735
Current liabilities associated with noncurrent assets held for sale	20	0
Other current liabilities	3,855	3,961
Current liabilities	**138,905**	**179,264**
Current provisions and liabilities	**141,355**	**181,629**
Total equity and liabilities	**172,406**	**215,879**

1) Prior-period amounts restated, see note 3

Cash flow statement

January 1 to June 30

€m	2005 restated[1]	2006
Net profit before taxes	**1,311**	**1,068**
Net finance costs	361	490
Depreciation/amortization of noncurrent assets	632	819
Gains on disposal of noncurrent assets	–27	–40
Non-cash income and expense	202	193
Change in provisions	–302	–253
Taxes paid	–154	–133
Net cash from operating activities before changes in working capital	**2,023**	**2,144**
Changes in working capital		
Inventories	–1	–20
Receivables and other assets	–862	–507
Receivables/liabilities from financial services	–297	1.026
Liabilities and other items	177	–200
Net cash from operating activities	**1,040**	**2,443**
Proceeds from disposal of noncurrent assets		
Divestitures	72	236
Other noncurrent assets	209	209
	281	**445**
Cash paid to acquire noncurrent assets		
Investments in companies	–149	–2,055
Other noncurrent assets	–896	–800
	–1,045	**–2,855**
Interest received	96	50
Current financial instruments	–196	–5
Net cash used in investing activities	**–864**	**–2,365**
Change in financial liabilities	–9	949
Dividend paid to Deutsche Post AG shareholders	–556	–836
Dividend paid to other shareholders	–72	–93
Issuance of shares under stock option plan	0	20
Interest paid	–160	–167
Net cash used in financing activities	**–797**	**–127**
Net change in cash and cash equivalents	–621	–49
Effect of changes in exchange rates on cash and cash equivalents	–35	29
Change in cash and cash equivalents due to changes in consolidated group	–5	0
Cash and cash equivalents at January 1	4,845	2,084
Cash and cash equivalents at June 30	**4,184**	**2,064**

1) Prior-period amounts restated, see note 3

Statement of changes in equity

January 1 to June 30

€m	Issued capital	Other reserves: Capital reserves	Other reserves: IAS 39 reserves	Other reserves: Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Minority interest	Total equity
Balance at January 1, 2005 before adjustment	1,113	408	–343	–150	6,189	7,217	1,611	8,828
Adjustments	0	0	401	0	–376	25	12	37
Balance at January 1, 2005 after adjustment[1)]	**1,113**	**408**	**58**	**–150**	**5,813**	**7,242**	**1,623**	**8,865**
Capital transactions with owner								
Capital contribution from retained earnings						0		0
Dividend					–556	–556	–73	–629
Other changes in equity not recognized in income								
Currency translation differences				56		56	19	75
Other changes			162		10	172	50	222
Changes in equity recognized in income								
Consolidated net profit					947	947	107	1,054
Stock option plans (issuance)		24				24		24
Balance at June 30, 2005 after adjustment	**1,113**	**432**	**220**	**–94**	**6,214**	**7,885**	**1,726**	**9,611**
Balance at January 1, 2006	**1,193**	**1,893**	**169**	**–41**	**7,493**	**10,707**	**1,833**	**12,540**
Capital transactions with owner								
Capital contribution from retained earnings						0		0
Dividend					–836	–836	–93	–929
Other changes in equity not recognized in income								
Currency translation differences				–349		–349	–12	–361
Stock option plans (exercise)	1	19				20		20
Other changes			–368		–2	–370	–150	–520
Changes in equity recognized in income								
Consolidated net profit					736	736	119	855
Stock option plans (issuance)		15				15		15
Balance at June 30, 2006	**1,194**	**1,927**	**–199**	**–390**	**7,391**	**9,923**	**1,697**	**11,620**

1) The retrospective initial adjustment according to IAS 39 (rev. 2003) produces a cumulative impairment of shares in the amount of €430 million, which results in a reduction in retained earnings and an increase in IAS 39 reserves (revaluation reserve). The reclassification of financial assets also results in a reduction in the revaluation reserve of €29 million and in minority interest of €15 million. The change in accounting policy in accordance with IAS 8.22, whereby the expenses from the arrangement of mortgages are deferred according to the duration of the mortgage and not immediately recognized as an expense, leads to an increase in retained earnings of €54 million and in minority interest of €27 million.

Notes to the consolidated interim financial statements

1 Basis of accounting

As a listed company, Deutsche Post AG prepared its consolidated financial statements for the period ended June 30, 2006 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

The accounting policies, as well as the explanations and disclosures, are generally based on the same accounting policies used in the 2005 consolidated financial statements.

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For further information on the accounting policies applied, please refer to the i consolidated financial statements for the period ended December 31, 2005 on which this interim report is based.

2 Consolidated group

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

Consolidated group	Dec. 31, 2005	June 30, 2006
Number of fully consolidated companies (subsidiaries)		
German	101	139
Foreign	521	922
Number of proportionately consolidated companies		
German	2	2
Foreign	3	3
Number of equity method-accounted companies (associates)		
German	4	5
Foreign	29	40

The increase in the number of fully consolidated companies is attributable primarily to the fact that the Exel group was included in the consolidated financial statements for the first quarter on the basis of the individual Exel companies.

The Williams Lea group, with seven subsidiaries, was included in the consolidated financial statements in the second quarter of 2006.

The disposal of the German company McPaper AG, Berlin, in the first quarter of 2006 resulted in a deconsolidation gain of €10 million, which is reported in other operating income.

3 Purchase price allocation and adjustment of balance sheet and income statement carrying amounts

Purchase price allocation for Williams Lea

Deutsche Post World Net acquired 66.15% of the shares of the international mail and document service provider Williams Lea Group Ltd., London, United Kingdom, (Williams Lea) for €322 million on March 24, 2006. Since the interests totaling 33.85% attributable to minority interest convey a put option for the minority shareholders, these interests must be recognized as a liability in the amount of the best estimate of fair value in accordance with IAS 32. This amount is carried under noncurrent financial liabilities, and there is no requirement to present the shares as minority interest. The put option may be exercised after no earlier than three years.

Williams Lea is a leading provider of value-added mail and document services and offers an extensive range of print, mailroom and document management products, as well as direct marketing services. The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities at their fair values used purchase price allocation in accordance with IFRS 3.

Purchase price allocation resulted in the following adjustments to assets and liabilities:

Adjustments to assets and liabilities

€m	
Brand name	26
Customer list (excl. USA)	136
Customer list USA	89
Land	4
Pension obligations	–2
Current provisions	–7
Deferred taxes, net	–86
	160

A useful life of 18 years was defined for the customer list. The following table shows the measurement of goodwill:

Measurement of goodwill	March 31, 2006
€m	
Purchase price (66.15% interest)	316
Transaction costs	6
Total purchase price	**322**
Financial liability to minority interest (33.85% interest)	229
Less identifiable net assets at fair value	–56
Goodwill	**495**

Net assets acquired

€m	Carrying amounts	Adjustments	Fair value
Intangible assets	7	251	258
Property, plant and equipment	16	4	20
Noncurrent financial assets	26	0	26
Current receivables, other current assets, and cash and cash equivalents	182	0	182
Noncurrent liabilities and provisions	–18	–2	–20
Current liabilities and provisions	–317	–7	–324
Deferred taxes, net	0	–86	–86
Net assets acquired	**–104**	**160**	**56**

In Q2 2006, Williams Lea generated revenue of €175 million and profit from operating activities (EBIT) of €10 million. If this company had already been included in the consolidated financial statements as of January 1, 2006, it would have contributed €353 million to consolidated revenue and €3 million to consolidated EBIT.

Purchase price allocation for Exel

Deutsche Post World Net acquired a 100% interest in the logistics company Exel plc, Bracknell, UK, (Exel) in December 2005. Exel was provisionally included in the consolidated financial statements as of December 31, 2005 at its IFRS carrying amounts. The amount of the provisional difference changed as follows on completion of purchase price allocation in accordance with IFRS 3:

Goodwill

€m	
Provisional goodwill as of December 31, 2005	5,459
Customer list	–399
Brand name	–539
Land and buildings	–169
Current receivables and other assets	5
Noncurrent liabilities and provisions	131
Current liabilities and provisions	23
Deferred taxes, net	287
Goodwill as of December 31, 2005	**4,798**

The useful life of the customer list for the DHL Exel Supply Chain Business Division is between 8 and 14 years, and between 4 and 7 years for the DHL Global Forwarding Business Division.

Net assets acquired

as of December 31, 2005

€m	Carrying amounts	Adjustments	Fair value
Intangible assets	213	938	1,151
Property, plant and equipment	981	169	1,150
Noncurrent financial assets	30	0	30
Other noncurrent assets	173	0	173
Current receivables, other current assets, and cash and cash equivalents	2,344	–5	2,339
Current liabilities and provisions	–3,028	–23	–3,051
Noncurrent liabilities and provisions	–577	–132	–709
Deferred taxes, net	40	–286	–246
Net assets	**176**		**837**
Minority interest	–25		–25
Net assets acquired	**151**		**812**

Measurement of goodwill

€m	
Total purchase price as of December 31, 2005	5,610
Less identifiable net assets at fair value	–812
Goodwill as of December 31, 2005	**4,798**

Subsequent acquisition costs of €24 million were capitalized during the first half of 2006.

Marken Ltd., United Kingdom, was sold on March 20, 2006. No disposal gain was recognized in the consolidated financial statements because the assets and liabilities were recognized at their fair values in the course of purchase price allocation.

Purchase price allocation for BHW

Following completion of the share purchase agreement entered into with the previous majority shareholders of BHW Holding AG, namely BGAG Beteiligungsgesellschaft der Gewerkschaften AG, BGAG Beteiligungsverwaltungsgesellschaft mbH, NH-Beteiligungsverwaltungsgesellschaft mbH and Deutscher Beamtenwirtschaftsbund (BWB) GmbH, on October 25, 2005, Deutsche Postbank AG acquired 137,581,212 BHW shares on January 2, 2006. Taking the capital reduction through retirement of BHW Holding AG's own shares on December 31, 2005 into account, this corresponds to 82.9% of the share capital and voting rights of BHW Holding AG. The purchase increased Deutsche Postbank AG's shareholding in BHW Holding AG to 91.04% of the share capital and voting rights, and Deutsche Postbank AG thus acquired a controlling interest in BHW Holding AG in accordance with IAS 27.

On January 26, 2006, Deutsche Postbank AG made a mandatory offer in accordance with section 35(2) of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG – German Securities Acquisition and Takeover Act). The subject of the mandatory offer is the acquisition of all no-par value shares of BHW Holding AG. Deutsche Postbank AG holds an interest of 98.43% since that date. The purchase price for the 98.43% interest amounts to €1,734 million plus the transaction costs of €19 million incurred. The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities at their fair values used purchase price allocation in accordance with IFRS 3.

Measurement of goodwill	Dec. 31, 2005
€m	
Purchase price	1,734
Costs directly attributable to the purchase	19
Total purchase price	**1,753**
Less identifiable net assets at fair value	–1,253
Goodwill	**500**

Net assets acquired

€m	Carrying amounts	Adjustments	Fair value
Receivables and other securities from financial services	39,748	714	40,462
Property, plant and equipment	245	–37	208
Deferred taxes	384	0	384
Cash and cash equivalents	99	0	99
Other assets	250	550	800
TOTAL ASSETS	40,726		41,953
Liabilities from financial services	36,543	320	36,863
Noncurrent provisions	2,009	287	2,296
Deferred taxes	383	240	623
Current liabilities	204	0	204
Noncurrent liabilities	640	59	699
EQUITY AND LIABILITIES less equity	39,779		40,685
Net assets	947		1,268
Less minority interest	n/a		–15
Net assets acquired			**1,253**

Adjustments to consolidated balance sheet

The following adjustments to the carrying amounts in the consolidated balance sheet as of December 31, 2005 arose from the purchase price allocation of Exel:

Adjusted consolidated balance sheet

as of December 31

€m	2005	Adjustments	2005 restated
ASSETS			
Intangible assets	12,749	277	13,026
Property, plant and equipment	9,505	169	9,674
Deferred tax assets	883	72	955
Receivables and other assets	8,204	–5	8,199
EQUITY AND LIABILITIES			
Noncurrent provisions			
Provisions for pensions and other employee benefits	5,780	–24	5,756
Deferred tax liabilities	1,080	358	1,438
Other provisions	2,361	156	2,517
Current liabilities			
Other liabilities	3,832	23	3,855

Adjustments to income statement

The income statement items as of June 30, 2005 have changed as a result of the Deutsche Postbank group's change in accounting policy for the deferral of expenses relating to sales activities for mortgage loans. There were also reclassifications between materials expense and other operating expenses due to adjustments to the chart of accounts.

Adjusted income statement

January 1 to June 30

€m	2005	Adjustments	2005 restated
Materials expense and expenses from banking transactions	–11,252	60	–11,192
Other operating expenses	–2,018	–40	–2,058
Income tax expense	–249	–8	–257
Consolidated net profit for the period	1,042	12	1,054
attributable to Deutsche Post AG shareholders	939	8	947
attributable to minorities	103	4	107

4 Shares, stock options, equity

The number of stock options on shares of Deutsche Post AG granted to executives in Group management levels 1 to 3 changed as follows as against December 31, 2005:

Stock options

	SOP 2000		SOP 2003		
Number	Tranche 2001	Tranche 2002	Tranche 2003	Tranche 2004	Tranche 2005
Outstanding options at January 1, 2006	662,789	2,946,797	11,571,618	8,605,470	9,999,180
Outstanding SARs at January 1, 2006	27,040	148,558	577,770	680,318	1,191,264
Options lapsed	627,215	0	287,376	197,538	145,206
SARs lapsed	25,924	0	71,982	61,440	390,372
Options exercised	35,574	1,351,205	0	0	0
SARs exercised	1,116	17,922	0	0	0
Outstanding options at June 30, 2006	**0**	**1,595,592**	**11,284,242**	**8,407,932**	**9,853,974**
Outstanding SARs at June 30, 2006	**0**	**130,636**	**505,788**	**618,878**	**800,892**

The issued capital increased from €1,193 million to €1,194 million in the first six months of 2006. It is now composed of 1,194,020,518 no-par value registered shares. The increase in issued capital is attributable to the servicing of stock options from the Stock Option Plan 2000.

5 Contingent liabilities

The Group's contingent liabilities have not changed significantly compared with December 31, 2005. In addition, the Deutsche Postbank group had irrevocable loan commitments amounting to €19,652 million.

6 Other operating income and expenses

Other operating income January 1 to June 30 €m	2005	2006
Income from investment securities and insurance business (financial services)	100	141
Income from currency translation differences	91	116
Income from the reversal of provisions	479	116
Insurance income	55	97
Income from work performed and capitalized	98	89
Gains on disposal of noncurrent assets	49	74
Reversal of impairment losses on receivables and other assets	9	59
Rental and lease income	44	44
Income from prior-period billings	71	41
Income from the derecognition of liabilities	48	33
Income from fees and reimbursements	21	30
Commission income	6	23
Income from non-hedging derivatives	46	20
Income from loss compensation	9	11
Change in inventories	3	8
Subsidies	3	8
Income from housing management cost equalization	3	3
Miscellaneous	91	143
	1,226	**1,056**

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

Other operating expenses January 1 to June 30	2005	2006
€m		
Public relations expenses	224	271
Travel and training costs	191	222
Legal, consulting and audit costs	201	213
Allowance for losses on loans and advances (financial services)	103	155
Warranty expenses, refunds and compensation payments	121	152
Telecommunication costs	147	148
Other business taxes	320	140
Write-downs of current assets	97	127
Addition to provisions	68	125
Expenses from currency translation differences	100	116
Cost of purchased cleaning, transportation and security services	75	104
Office supplies	94	102
Entertainment and corporate hospitality expenses	55	68
Insurance costs	63	61
Voluntary social benefits	19	48
Services provided by Bundesanstalt für Post und Telekommunikation	37	44
Contributions and fees	29	31
Losses on disposal of assets	32	29
Prior-period other operating expenses	7	17
Expenses from non-hedging derivatives	41	13
Donations	11	11
Monetary transaction costs	10	11
Miscellaneous	13	56
	2,058	**2,264**

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

7 Segment reporting

To manage cross-segment service functions, a fifth corporate division SERVICES was established, which is presented as a separate segment starting in fiscal year 2006. The prior-period amounts were restated accordingly. In addition, the retail outlets of Deutsche Post Retail GmbH transferred to Deutsche Post AG are reported in this segment. The expenses relating to the IT service centers that cannot be allocated to the segments are also reported in the SERVICES Corporate Division.

8 Other disclosures

On July 3, 2006, Deutsche Post AG as the debtor exercised its option under the terms and conditions of the bond to call the exchangeable bond on Postbank stock prior to maturity effective July 31, 2006.

Consolidated interim financial statements (Postbank at equity)

Income statement (Postbank at equity)

January 1 to June 30	H1		Q2	
	2005 restated[1)]	2006	2005 restated[1)]	2006
€m				
Revenue	18,700	25,214	9,534	12,509
Other operating income	1,120	947	506	403
Total operating income	**19,820**	**26,161**	**10,040**	**12,912**
Materials expense	–9,314	–13,950	–4,935	–7,055
Staff costs	–6,848	–8,594	–3,446	–4,312
Depreciation, amortization and impairment losses	–580	–742	–298	–387
Other operating expenses	–1,783	–1,768	–763	–751
Total operating expenses	**–18,525**	**–25,054**	**–9,442**	**–12,505**
Profit from operating activities (EBIT)	**1,295**	**1,107**	**598**	**407**
Net income from associates	55	3	55	2
Net income from measurement of Deutsche Postbank group at equity	154	184	77	94
Net other finance costs	–395	–468	–154	–231
Net finance costs	**–186**	**–281**	**–22**	**–135**
Profit from ordinary activities	**1,109**	**826**	**576**	**272**
Income tax expense	–132	–62	–70	–1
Consolidated net profit for the period	**977**	**764**	**506**	**271**
attributable to				
Deutsche Post AG shareholders	947	736	488	254
Minorities	30	28	18	17

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

Balance sheet (Postbank at equity) as of June 30, 2006	**Dec. 31, 2005** restated[1]	**June 30, 2006**
€m		
ASSETS		
Intangible assets	12,804	13,152
Property, plant and equipment	8,921	8,696
Investments in associates	78	82
Investments in Deutsche Postbank group	3,473	2,119
Investment property	35	23
Other noncurrent financial assets	718	751
Noncurrent financial assets	**4,304**	**2,975**
Other noncurrent assets	373	350
Deferred tax assets	521	569
Noncurrent assets	**26,923**	**25,742**
Inventories	279	310
Noncurrent assets held for sale	28	2
Current tax receivables	526	613
Receivables and other assets	7,883	8,291
Financial instruments	35	31
Cash and cash equivalents	1,384	1,088
Current assets	**10,135**	**10,335**
Total assets	**37,058**	**36,077**
EQUITY AND LIABILITIES		
Issued capital	1,193	1,194
Other reserves	2,021	1,338
Retained earnings	7,493	7,391
Equity attributable to Deutsche Post AG shareholders	10,707	9,923
Minority interest	110	100
Equity	**10,817**	**10,023**
Provisions for pensions and other employee benefits	5,171	5,089
Deferred tax liabilities	483	582
Other noncurrent provisions	2,145	2,067
Noncurrent provisions	**7,799**	**7,738**
Noncurrent financial liabilities	4,811	4,801
Other noncurrent liabilities	233	225
Noncurrent liabilities	**5,044**	**5,026**
Noncurrent provisions and liabilities	**12,843**	**12,764**
Current tax provisions	550	521
Other current provisions	1,813	1,719
Current provisions	**2,363**	**2,240**
Current financial liabilities	930	2,193
Trade payables	4,869	4,523
Current tax liabilities	558	723
Current liabilities associated with noncurrent assets held for sale	20	0
Other current liabilities	4,658	3,611
Current liabilities	**11,035**	**11,050**
Current provisions and liabilities	**13,398**	**13,290**
Total equity and liabilities	**37,058**	**36,077**

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

Cash flow statement (Postbank at equity) January 1 to June 30	2005 restated[1]	2006
€m		
Net profit before taxes	**1,109**	**826**
Net finance costs excluding net income from measurement at equity	340	465
Depreciation/amortization of noncurrent assets	580	742
Gains on disposal of noncurrent assets	–21	–39
Non-cash income and expense	100	35
Net income from measurement at equity	–154	–184
Change in provisions	–254	–481
Taxes paid	–142	–83
Net cash from operating activities before changes in working capital	**1,558**	**1,281**
Changes in working capital		
Inventories	–1	–23
Receivables and other assets	–722	–444
Liabilities and other items	77	–495
Net cash from operating activities	**912**	**319**
Proceeds from disposal of noncurrent assets		
Divestitures	72	236
Other noncurrent assets	137	194
	209	**430**
Cash paid to acquire noncurrent assets		
Investments in companies	–149	–401
Other noncurrent assets	–840	–738
	–989	**–1,139**
Interest received	108	44
Postbank dividend	137	137
Current financial instruments	–196	–4
Net cash used in investing activities	**–731**	**–532**
Change in financial liabilities	–11	876
Dividend paid to Deutsche Post AG shareholders	–556	–836
Dividend paid to other shareholders	–4	0
Issuance of shares under stock option plan	0	20
Interest paid	–168	–172
Net cash used in financing activities	**–739**	**–112**
Net change in cash and cash equivalents	–558	–325
Effect of changes in exchange rates on cash and cash equivalents	–35	29
Change in cash and cash equivalents due to changes in consolidated group	–5	0
Cash and cash equivalents at January 1	4,781	1,384
Cash and cash equivalents at June 30	**4,183**	**1,088**

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

Events and contacts

Financial calendar

November 8, 2006	Interim report on the first nine months of 2006, analysts' conference call
March 20, 2007	2006 Annual Report, financials press conference and analyst conference
May 8, 2007	Annual General Meeting
May 9, 2007	Dividend payment
May 15, 2007	Interim report on the first quarter of 2007, analysts' conference call
August 3, 2007	Interim report on the first half of 2007, financials press conference and analysts' conference call
November 8, 2007	Interim report on the first nine months of 2007, analysts' conference call

Investor events

September 4 – 5, 2006	Deutsche Bank 3rd German Conference (Tokyo)
September 13, 2006	UBS Best of Germany Conference (New York)
September 15 – 17, 2006	International Investors' Trade Fair (Düsseldorf)
September 27, 2006	HVB Conference (Munich)
November 14, 2006	Nomura German Investor Conference (Tokyo)

Further events, updates and information on live Internet broadcasts at http://investors.dpwn.com

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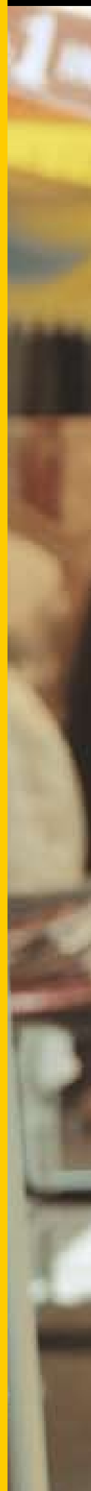

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