Annual Report 2005

Making our customers successful

Deutsche Post World Net

MAIL EXPRESS LOGISTICS FINANCE

Key figures		2004 restated	2005	+/– %
The Group				
Revenue	€m	43,168	44,594	3.3
Profit from operating activities (EBIT)	€m	3,001	3,755	25.1
Return on sales[1]	%	7.0	8.4	
MAIL				
Revenue	€m	12,747	12,878	1.0
Profit from operating activities (EBIT)	€m	2,072	2,030	–2.0
Return on sales[1]	%	16.3	15.8	
EXPRESS				
Revenue	€m	17,557	18,273	4.1
Profit from operating activities (EBIT)	€m	117	11	–90.6
Return on sales[1]	%	0.7	0.1	
LOGISTICS				
Revenue	€m	6,786	7,949	17.1
Profit from operating activities (EBIT)	€m	182	315	73.1
Return on sales[1]	%	2.7	4.0	
FINANCIAL SERVICES				
Income	€m	7,349	7,272	–1.0
Profit from operating activities (EBIT)	€m	714	790	10.6
Other key figures				
Consolidated net profit[2]	€m	1,598	2,235	39.9
Operating cash flow (Postbank at equity)	€m	2,578	1,657	–35.7
Net debt (Postbank at equity)	€m	–32	3,959	12,471.9
Return on equity (RoE) before taxes	%	29.2	28.5	
Earnings per share	€	1.44	1.99	38.2
Dividend per share	€	0.50	0.70[3]	40.0
Number of employees at December 31[4]	headcount	379,828	502,545	32.3

1) EBIT/revenue
2) Consolidated net profit excluding minorities.
3) To be proposed to the AGM.
4) Including trainees.

Title

Making our customers successful

This is one of our corporate values, which we discussed in depth at numerous workshops and information events in the course of 2005; they are now firmly anchored in our company.

Customer orientation and quality are also core objectives of the new strategic program First Choice. The logistics sector is growing fast and in the future we want to be not only the largest provider, but also the first choice for our customers.

The Group at a glance

Deutsche Post World Net ends 2005 as the global market leader for logistics. Our Deutsche Post, DHL and Postbank brands stand for a wide range of services for managing and transporting mail, goods and information. Over 500,000 employees in more than 220 countries and territories provide superior logistics services to help our customers be even more successful in their markets.

Deutsche Post World Net
MAIL EXPRESS LOGISTICS FINANCE

MAIL

Deutsche Post

In Germany we operate a nationwide network with which we transport an average of 70 million letters a day, six days a week. International comparisons highlight the outstanding quality of our services. We delivered over 95% of all items handed to us during our daily opening hours or before the last collection to the recipient the next day. Faced with the fact that our market is being liberalized and that competition on the whole is increasing, we have continued to internationalize our mail business. Under the DHL Global Mail brand we are present on four continents as an end-to-end service provider, with direct connections to over 200 countries.

You can find out more about the MAIL Corporate Division starting on page 34.

MAIL		2005
Workforce[1]		125,282
Private customers	millions	39
Business customers	millions	3
Average number of items per working day (Germany)	millions	>70
Transit time (D+1)[2]	%	≥95
International items transported	millions	6,401
Production facilities		123

1) FTEs on the reporting date (excluding trainees)
2) Proportion of all letters in Germany reaching their recipient the next day.

www.deutschepost.com

EXPRESS

DHL

We carry courier, parcel and express shipments to international destinations by road, rail and air. In order to succeed in our industry, service providers must offer simple products at transparent prices, while being easy to reach for customers. Our network spans the globe and allows us to provide both standard products and tailored solutions to customers in over 220 countries and territories. Our employees know what the market expects and what the DHL brand stands for, namely always being ready for the customer.

You can find out more about the EXPRESS Corporate Division starting on page 37.

EXPRESS		2005
Workforce[1]		131,927
DHL (international)		
Countries and territories		over 220
Hubs		36
Bases		4,700
Vehicles		72,000
Aircraft[2]		420
DHL in Germany		
Parcel centers		33
Packstations		over 600

1) FTEs on the reporting date (excluding trainees)
2) Operating for DHL.

www.dhl.com

LOGISTICS

Our portfolio spans international air and ocean freight, contract logistics and value-added services along the customer's entire value chain. We combine geographical reach with expert knowledge about our target industries. This enables us to help manufacturers and trading companies to manage their complex supply chains across the globe. We are the number one in the intercontinental freight business and, following the acquisition of Exel (UK), we are now the market leader for contract logistics as well.

You can find out more about the LOGISTICS Corporate Division starting on page 40.

LOGISTICS[1]		2005
Workforce[2]		148,095
DHL Global Forwarding (formerly DHL Danzas Air & Ocean)		
Countries and territories		over 170
Branches		640
Air freight volume	t	2,380,000
Ocean freight volume	TEUs[3]	1,240,000
DHL Exel Supply Chain (formerly DHL Solutions)		
Countries and territories		41
Distribution centers		700
Warehouse space	m^2	3,500,000

1) Excluding Exel
2) FTEs on the reporting date (including Exel, but excluding trainees)
3) Twenty-foot equivalent units

www.dhl.com

FINANCIAL SERVICES

Postbank

Measured by the number of customers and by products, Deutsche Postbank AG is the leading provider of financial services to private customers in Germany. After the acquisition of BHW Holding in January 2006, Postbank now serves 14.5 million customers. They can contact us via all sales channels, where they find a wide spectrum of banking services. In corporate banking, we offer payment transaction and finance solutions, while we also process large volumes of payment transactions for other credit institutions.

You can find out more about the FINANCIAL SERVICES Corporate Division starting on page 43.

FINANCIAL SERVICES		2005
Postbank		
Workforce[1]		9,235
Checking accounts	millions	4.9
Savings volume	€bn	41.6
Volume of brokerage accounts	€bn	7.7
Private customer loans	€bn	30.4
Corporate customer loans	€bn	11.5
Retail Outlet Group		
Workforce[1]		19,773
Retail outlets		12,671
of which own outlets		5,657
of which partner outlets		7,014
Weekly opening hours[2]	hours	42

1) FTEs on the reporting date (excluding trainees)
2) Average per outlet

www.postbank.com

Contents

Deutsche Post World Net
is the global market leader in logistics at the end of 2005. Our Deutsche Post, DHL and Postbank brands stand for a broad range of services for managing and transporting mail, goods and information. Over 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 2005:
The acquisition of Exel has made our Group the world's number one for logistics – enabling us to offer our customers a broad range of products and services from a single source. We also successfully completed our STAR program for value creation and integration. Linked to this was our goal to increase consolidated EBIT to at least €3.7 billion by the end of 2005. We have more than delivered on this.

What we want to deliver in 2006:
Our company is well positioned both strategically and financially. We intend to use this strong basis to further improve our operating performance. We will gear all workflows even more strongly to the needs of our customers. We don't just want to be the largest logistics provider, we also want to be the number one for quality and customer satisfaction. We intend to integrate Exel rapidly and successfully.

Delivering excellent quality

Our core business is to deliver excellent service – for any product, at any time, any place. In addition to worldwide door-to-door services, we also offer comprehensive solutions. Our services are designed to meet the growing requirements of customers. We continually review and improve our structures and production processes.

Postbank boosts its selling power
At the beginning of 2006 Postbank will acquire around 850 retail outlets from Deutsche Post. This move will allow Postbank to substantially boost the efficiency of its sales activities, particularly for products where personal sales advice is required.

High quality in mail production
Deutsche Post meets the international standards for effective quality management systems in its operating mail production processes and receives the appropriate certification from the TÜV (German Technical Inspection Association).

Ambassadors of a strong brand
In order to strengthen its brand image internationally, DHL introduces a new, standardized design for its corporate wear. Within nine months, a total of 110,000 employees in more than 200 countries and territories receive around 1.4 million pieces of clothing.

Dear Shareholders,

2005 was an outstanding year for your Deutsche Post World Net, and for several reasons. I would like to highlight the two most important of them here:

In our tenth year as an *Aktiengesellschaft* (German stock corporation) and five years after our IPO, the interest held in our company by the German state has fallen below 50 percent for the first time.

10 years of Deutsche Post AG

1995 From public agency to stock corporation
1996 Investment in modern logistics technology
1997 Start of globalization strategy
1999 European parcel network in place
2000 Deutsche Post AG goes public
2002 Acquisition of DHL and launch of STAR
2004 Postbank IPO
2005 Acquisition of Exel and completion of STAR

Do you remember what we said to you in 2000 – that we want to be the world's number one logistics service provider? It sounded like an ambitious goal at the time – but today we have achieved it!

By acquiring the British logistics service provider Exel, we achieved this aim and are now the leader in our industry. We are Germany's largest employer, with more than 500,000 staff, and are the seventh-largest private-sector employer internationally.

We have increased our presence in many regions and shaped your company into a global group. This is also reflected in our Board of Management: my two international colleagues have brought additional expertise and their knowledge of local markets to the Board. I believe this gives us a key competitive advantage.

Our industry is changing radically. Consolidation is increasing – as we all witnessed in 2005. Our acquisition of Exel has put us at the forefront of this trend and given us an excellent basis for the future.

We are proud to have achieved all this! But we also know that our company's success will not be determined by size alone. Satisfying our customers is what counts. They are active all over the world and expect us to deliver the outstanding level of quality for which we stand – no matter where they are, when they call on us and what service they require.

We held many discussions with customers in the past year, and in doing so we have continually deepened our understanding of their needs and what they expect from us. And in the coming years we will not slacken our efforts to make ourselves their first choice.

Last year we had ground to make up in the United States: the opening of our central air hub in Wilmington was hit by start-up difficulties. Our business also suffered from the devastating hurricanes that affected the south-east coast in the fall. This gives me all the more reason to admire the work of our employees there, who command my full respect.

I assure you that we will continue to show total dedication in the coming year, too, in particular when it comes to further improving the quality of our services.

We have already achieved this in Asia: the expansion of our central air hub in Hong Kong, which we completed in 2005, gives us an excellent infrastructure. In all probability, transportation volumes on this fast-growing market will double in the next 15 years.

Europe remains the main pillar of our business. In future, we will continue to strengthen our position here and to grow in the international mail business.

Our subsidiary Postbank is also undergoing a tremendous expansion: it is extending its sales network following the acquisition of the mortgage lender BHW and will also take over 850 retail outlets from Deutsche Post at the beginning of 2006. This reorganization allows us to focus on the needs of our customers and at the same time puts the selling power of our retail outlets on a firmer foundation. As a result, Postbank will greatly improve its position as Germany's leading financial service provider for private customers.

Once we have set ourselves a goal, we will achieve it: we have already proved this with our program for value creation and integration. Three years ago when STAR was launched, we promised you that the program would make an earnings contribution of €1.4 billion. Today, we can proudly say that we have kept this promise.

We also planned to increase consolidated earnings to at least €3.7 billion in 2005 – and we achieved this, too! We would like you to share in these successes, and I will therefore be proposing a dividend of €0.70 per share to you at the Annual General Meeting in May. This represents a substantial increase of 40% per share.

In August, our share price broke the €21 mark for the first time since March 2001 and thus kept pace with the extremely positive performance of the DAX. This reflects the trust and confidence that you have placed in Deutsche Post World Net and its future. We will do everything we can to increase the value of your investment.

We see ourselves as a company that, despite being international, still has an extremely strong local presence and is aware of its responsibilities. It is therefore particularly important to us to get involved in activities locally. 2005 was a year of major natural disasters. Our experienced DHL crisis team enabled us to effectively support the aid measures in countries such as Pakistan. In the United States, we coordinated the aid flights to the hurricane-hit areas, and our employees as well as the organization donated US$1 million for reconstruction.

Once again we face major challenges in 2006. Allow me to name three of them: firstly, we intend to merge the former competitors Deutsche Post World Net and Exel to form a powerful new company that focuses on the quality of its services and employees. Secondly, we must prove ourselves in the domestic and international mail business as well as in the global express business every single day. And thirdly, we must accompany Postbank with BHW and the new retail outlets on its quantum leap.

I would like to sincerely thank all those who have supported us in our achievements to date, above all our employees. And I would like to extend a warm welcome to the more than 110,000 new staff who have joined us.

Yours sincerely,
Dr. Klaus Zumwinkel
Chairman of the Board of Management

Dear Shareholders,

Josef Hattig,
Chairman

Fiscal year 2005 was a success and it was marked by a series of major strategic decisions, namely the acquisition of Exel plc, the reorganization of the retail outlet network and the acquisition of BHW Holding AG, which was completed in the first weeks of the new year. Deutsche Post World Net is now the world's leading logistics group.

The Group is now a market leader in almost all the areas in which it does business.

Also in the past fiscal year, the Supervisory Board concentrated in particular on the strategic focus of the Group, in line with its duty to advise the Board of Management and monitor the board's corporate management. Every important company decision was discussed in detail with the Board of Management, which informed the Supervisory Board in a timely and comprehensive manner of all important issues concerning planning and business development. There were regular reports about risks and risk management, important business transactions and projects in each of the corporate divisions, as well as strategic measures and the strategic focus of the company. Measures that, according to the by-laws of the Supervisory Board, require our approval were focused on in detail. The members of the Board of Management presented their reports on the basis of the rules of procedure that we agreed with the Board of Management. Furthermore, the Board of Management continuously informed the Chairman of the Supervisory Board about important business transactions and forthcoming key decisions, including between Supervisory Board meetings. Before we approved business activities, each of our decisions was prepared in the relevant committees. The chairs of the committees reported regularly on the committees' work at Supervisory Board meetings.

Supervisory Board advises and monitors the Board of Management

The Supervisory Board met twice in the first half of the year and three times in the second half of the year. As a rule the members of the Board of Management attended the meetings.

After a comprehensive discussion, we approved the 2004 annual and consolidated financial statements in the balance sheet meeting of March 17, 2005. Ahead of the meeting, the Finance and Audit Committee and the Chairman of the Supervisory Board spoke with the auditors in order to deepen their understanding. We also adopted the joint Report by the Board of Management and the Supervisory Board on Corporate Governance, as well as the agenda and proposed resolutions for the 2005 Annual General Meeting. Other topics addressed at the meeting were the efficiency review of the Supervisory Board's work and the remuneration system for the Board of Management.

In the meeting on May 18, 2005, we turned our attention to the business development in the first months of the year, focusing in particular on the United States. In addition, we discussed the engagement of the auditors elected by the Annual General Meeting.

The subjects of the meeting on September 16, 2005, were the strategy of the LOGISTICS Corporate Division and the acquisition of Exel plc. A special meeting was held on October 24, 2005, at which the acquisition of BHW Holding AG by Postbank was discussed and approved.

In addition to the appointment of John Allan to the Board of Management, where he is responsible for the Group's expanded logistics activities, and the creation of the new corporate division in the shape of Services, headed by Dr. Appel, the meeting on December 20, 2005, was used to discuss the international strategy of the MAIL Corporate Division and adopt resolutions concerning the future focus of the division. The reorganization of the retail outlet network was also on the agenda, a step that is designed to further boost Postbank's growth. In this context, the Supervisory Board decided to approve the sale of 850 retail outlets to Postbank. Furthermore, the Group's business planning for the years 2006 to 2008 was discussed in detail and adopted. The Declaration of Conformity with the German Corporate Governance Code for 2005 was also adopted.

Supervisory Board Committees are working efficiently

The Executive Committee met five times in the year under review. The main topics of these meetings were Board of Management matters and further developments to the company's system of corporate governance. This included issuing stock options to the members of the Board of Management and setting the variable component of their remuneration for 2004. As in recent years, the recommended efficiency review of the Supervisory Board's work was carried out on the basis of the refined questionnaire, which was completed by all members of the Supervisory Board. The results showed that it had been possible to further improve efficiency thanks to the implementation of suggestions made the previous year. New suggestions were also responded to.

The Personnel Committee met three times and focused primarily on the training pact and the Code of Conduct, which contains guidelines for the responsible, ethical and legal conduct of all employees. Partners and suppliers are also to be measured against these guidelines in future.

The Finance and Audit Committee held six meetings, headed by Dr. Lennings, and focused on the company acquisitions, each of which was also discussed by the full Supervisory Board. In addition, the Committee examined and approved the annual and consolidated financial statements and discussed the interim reports. The Committee's balance sheet meeting was again attended by the auditors. The Committee additionally held intensive discussions about accounting, risk monitoring and cooperation with the auditors. At the regular meetings, members of the Board of Management gave presentations on the business developments in their corporate divisions. The presentations were followed by more detailed discussions.

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

Annual financial statements and dependent company report have been audited

The auditors elected by the Annual General Meeting, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, (PwC) issued unqualified opinions on the annual and consolidated financial statements, as well as the respective management reports, for fiscal year 2005.

After a detailed preliminary examination by the Finance and Audit Committee, the Supervisory Board reviewed the annual and consolidated financial statements for fiscal year 2005, including the management reports, at its plenary meeting on March 9, 2006. The relevant reports were made available to all the members of the Supervisory Board and were discussed in depth with the Board of Management as well as with the auditors present at the meeting. Our review included the proposal for the appropriation of the unappropriated surplus put forward by the Board of Management. The Supervisory Board concurred with the results of the audit of the annual and consolidated financial statements and the management reports conducted by the auditors and has approved the annual and consolidated financial statements for fiscal year 2005 in today's meeting, after having discussed them in detail with the Board of Management and representatives of the auditors. Based on the final results of the examination of the annual financial statements, the consolidated financial statements, the management reports and the proposal for the appropriation of the unappropriated surplus, as conducted by the Supervisory Board and the Finance and Audit Committee, there are no objections to be raised. We endorse the Board of Management's proposal for the appropriation of the unappropriated surplus and the payment of a dividend of €0.70 per share.

PwC 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) 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 dependent company report was examined in order to ensure that it is complete and accurate. The Board of Management has taken due care in determining the affiliated companies. It has taken the necessary precautions in recording the transactions and other measures that the company undertook or refrained from undertaking in the fiscal year under review, either with, at the request of or in the interests of the federal government as the controlling enterprise, or with these affiliated companies. According to the findings of the examination, there are no apparent grounds for believing that transactions or measures have not been recorded in full. The Supervisory Board therefore endorses the results of the audit conducted by the auditors. There are no objections to be raised to the declaration of the Board of Management at the end of the report.

New addition to the Board of Management

There were the following changes in the composition of the Board of Management: on January 1, 2005, Mr. John Mullen became a member of the Board of Management, where he is responsible for the Americas, Asia Pacific and Emerging Markets in the EXPRESS Corporate Division.

Mr. John Allan was appointed to the Board of Management with the acquisition of Exel plc on January 1, 2006, for a three-year period and will manage the Group's expanded logistics activities, with particular responsibility for integrating Exel.

Since the start of the year, Dr. Frank Appel has been in charge of Global Business Services, a new division that brings together internal services throughout the Group. He is also responsible for Global Customer Solutions.

In fiscal year 2005, there were no changes in the composition of the Supervisory Board. Gerd Ehlers, Roland Oetker, Hans W. Reich and Dr. Jürgen Weber were confirmed as members of the Supervisory Board in elections held on an individual basis at the Annual General Meeting on May 18, 2005. They had been appointed by a court the year before in order to take the place of members who had retired prematurely.

Conflicts of interest dealt with

Potential isolated conflicts of interest were avoided by abstentions on the part of members in situations where such a conflict might have arisen. For instance, Ms. Margrit Wendt, a representative of ver.di, laid down her Supervisory Board mandate temporarily at the meeting on October 24, 2005. This was purely a precautionary step taken while the Supervisory Board was addressing the acquisition of BHW Holding AG by Postbank. A conflict of mandates was resolved with the decision by a shareholder representative, who has also been a member of the Deutsche Bahn AG Supervisory Board since the summer, not to seek re-election at this year's Annual General Meeting of Deutsche Post AG. Until then, the persons involved will decide on the most appropriate way to handle particular information in the interests of the company and depending on the subject in question (for example, abstaining from voting or not taking part in discussions).

Company adopts all the recommendations in the Corporate Governance Code

In accordance with the German Corporate Governance Code, in December it was unanimously resolved to comply in fiscal year 2006 with all the recommendations of the German Corporate Governance Code in the version dated June 2, 2005.

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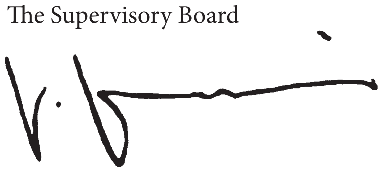
Further information about the company's system of corporate governance, in addition to the current Declaration of Conformity, is available in the Report by the Board of Management and the Supervisory Board on Corporate Governance, as well as on our website. In accordance with the recommendation in the Code, the Declarations of Conformity from previous years can also be found there.

We would like to thank the Board of Management and all Group employees for their commitment and successful efforts and their first-rate work in fiscal year 2005.

Bonn, March 9, 2006
The Supervisory Board



Josef Hattig
Chairman

Supervisory Board

Shareholders' representatives

Josef Hattig
Chairman

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

Hero Brahms
Management Consultant

Gerd Ehlers
State Secretary, Federal Ministry of Finance (until Dec. 5, 2005)

Managing Director, Bundesrepublik Deutschland Finanzagentur GmbH (since Dec. 8, 2005)

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
Managing Partner,
ROI Verwaltungsgesellschaft mbH

President of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

Hans W. Reich
Chairman of the Board of Managing Directors, KfW Bankengruppe

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
Chair of Deutsche Post World Net's Group Works Council (since Feb. 22, 2005)

Silke Oualla-Weiß
Chair of Works Council,
DHL Express Betriebs GmbH, Düsseldorf
(but works in 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 World Net's
European Works Council Forum
(since Jan. 1, 2005)

Committees

Executive Committee
Josef Hattig (Chair)
Rolf Büttner (Deputy Chair)
Hero Brahms
Gerd Ehlers
Helmut Jurke
Margrit Wendt

Personnel Committee
Rolf Büttner (Chair)
Josef Hattig (Deputy Chair)
Hero Brahms
Margrit Wendt

Finance and Audit Committee
Dr. Manfred Lennings (Chair)
Helmut Jurke (Deputy Chair)
Gerd Ehlers
Prof. Dr. Ralf Krüger
Dirk Marx
Margrit Wendt

Mediation Committee
(in accordance with section 27 (3) *Mitbestimmungsgesetz*)
Josef Hattig (Chair)
Rolf Büttner (Deputy Chair)
Hero Brahms
Margrit Wendt

Board of Management

Dr. Klaus Zumwinkel
Chairman
Born in 1943, member 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

John Allan
LOGISTICS (since January 1, 2006)
Born in 1948, member of the Board of Management since 2006, appointed until December 2008, responsible for the LOGISTICS Corporate Division comprising the business divisions DHL Global Forwarding and DHL Exel Supply Chain

Dr. Frank Appel
Global Business Services
Born in 1961, member of the Board of Management since 2002, appointed until October 2007, responsible for Global Business Services including Legal Services, Insurance and Risk Management, Corporate Procurement, Information Technology, Corporate Real Estate, Finance Operations, DPWN Business Consulting and Global Customer Solutions

Prof. Dr. Edgar Ernst
Finance
Born in 1952, 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

Dr. Peter E. Kruse
EXPRESS Europe
Born in 1950, member of the Board of Management since 2001, appointed until December 2010, responsible for the region Europe in the EXPRESS Corporate Division

John Mullen
EXPRESS Americas, Asia Pacific, Emerging Markets
Born in 1955, member of the Board of Management since 2005, appointed until December 2008, responsible for the regions Americas, Asia Pacific and Emerging Markets (EMA) in the EXPRESS Corporate Division

Dr. Hans-Dieter Petram
MAIL
Born in 1943, member of the Board of Management since 1990, appointed until November 2007, responsible for the MAIL Corporate Division

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

Prof. Dr. Wulf von Schimmelmann
FINANCIAL SERVICES
Also Chairman of the Management Board of Deutsche Postbank AG, born in 1947, member of the Board of Management since 1999, appointed until April 2008, responsible for the FINANCIAL SERVICES Corporate Division

Fiscal year 2005

Dr. Klaus Zumwinkel
Chair

Dr. Frank Appel
LOGISTICS (until December 31, 2005), Corporate Services

Prof. Dr. Edgar Ernst
Finance

Dr. Peter E. Kruse
EXPRESS Europe

John Mullen
EXPRESS Americas, Asia Pacific, Emerging Markets

Dr. Hans-Dieter Petram
MAIL

Walter Scheurle
Personnel

Prof. Dr. Wulf von Schimmelmann
FINANCIAL SERVICES

Corporate Governance Report

From an early stage, our corporate governance has sought to bring about a sustained increase in enterprise value and to promote trust in the company's management and control mechanisms among investors, customers and employees. An important element of responsible corporate governance is a trusting working relationship between the Board of Management and the Supervisory Board, while they in turn must communicate openly with shareholders.

Unqualified Declaration of Conformity issued once again

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On December 20, 2005, the Board of Management and the Supervisory Board issued an unqualified Declaration of Conformity for the fourth consecutive year. This signals that we are complying with all current recommendations of the German Corporate Governance Code in the version dated June 2, 2005. We are also implementing the suggestions of the Code, with one exception: the Annual General Meeting (AGM) is not broadcast over the Internet in its entirety. Instead, the broadcast continues until the start of the general debate. From the company's perspective, any decision to broadcast the entire AGM over the Internet is contingent upon it becoming legally feasible to cast votes electronically before the votes are counted in the AGM.

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Our listed subsidiary, Deutsche Postbank AG, issued its own unqualified Declaration of Conformity on March 18, 2005. Postbank also complies with the suggestions of the Code to a large extent.

Dual management and supervisory structure

As a German stock corporation, Deutsche Post has a dual management and supervisory structure. The members of the Board of Management are appointed by the Supervisory Board and are responsible for the management of the company. Since the start of 2006, the Board of Management has consisted of nine members. There has been a reallocation of duties as part of the acquisition of Exel plc and the establishment of the new Global Business Services division. More information about the members of the Board of Management and their areas of responsibility can be found on pages 12 and 13.

The Supervisory Board advises the Board of Management and oversees its management activities. In accordance with the Articles of Association, it consists of twenty members, who are listed on page 11. Ten shareholder representatives are elected at the AGM, while a further ten members are elected by employees in accordance with the provisions of the *Mitbestimmungsgesetz* (German Co-determination Act). Information about additional mandates held by members of the Board of Management and the Supervisory Board in supervisory bodies of other companies can be found on pages 148 and 149. The Supervisory Board reports on its activities in fiscal year 2005 beginning on page 7.

The shareholder representatives are appointed until the end of this year's AGM, with the following exception: the period of office of Mr. Ehlers, Mr. Oetker, Mr. Reich and Dr. Weber, who were elected on an individual basis at the AGM on May 18, 2005, will end with the 2010 AGM. The employee representatives are elected until the end of the 2009 Annual General Meeting. The fact that the majority of the members of the Supervisory Board are independent means that Deutsche Post AG complies with the recommendation to this effect in the German Corporate Governance Code, which itself is based on a recommendation of the European Commission.

Efficient committee work

In addition to the Mediation Committee that is required by the *Mitbestimmungsgesetz*, the Supervisory Board has formed three further committees: the Executive Committee, the Finance and Audit Committee, and the Personnel Committee. We report on the composition of the Committees on page 11. The Supervisory Board provides information on page 8 about their duties and work in the year under review.

Transparent communication

We communicate openly and transparently with our shareholders. All dates that might be of interest are displayed on our i website, including the dates on which the Annual Report and interim reports are published. Other information available relates to our stock, the share price and reports on the purchase or sale of the company's shares or related financial instruments pursuant to section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

i http://investors.dpwn.com

In 2005, we reported the following purchases (P) and sales (S) of the company's shares pursuant to section 15a of the WpHG. Every sale of shares listed below was preceded directly by the exercise of stock options to purchase an identical number of shares.

Name	Date	No. of shares	Share price	Purchase/sale
Dr. Frank Appel	June 30, 2005	3,000	€19.48	P
Prof. Dr. Edgar Ernst	August 1, 2005	40,000	€20.46	S[1]
Dr. Peter Kruse	July 29, 2005	133,758	€20.47	S[1]
Dr. Hans-Dieter Petram	August 4, 2005	133,758	€20.88	S[1]
Walter Scheurle	July 29, 2005	120,758	€20.47	S[1]
Prof. Dr. Wulf von Schimmelmann	August 5, 2005	70,000	€20.76	S[1]
	December 29, 2005	33,758	€20.62	S[1]
Frank von Alten-Bockum	July 29, 2005	17,406	€20.47	S[1]

1) Stock options

The entire holdings of all members of the Board of Management and Supervisory Board do not exceed 1% of the shares issued by the company, including related financial instruments. This means that there were no securities holdings that are required to be reported in accordance with section 6.6 of the German Corporate Governance Code.

Members of the Board of Management and Supervisory Board disclose any possible conflicts of interest to the Supervisory Board without delay. Outside activities pursued by members of the Board of Management have to be approved by the Supervisory Board. The Supervisory Board reports on conflicts of interest and how they have been dealt with on page 10.

Risk management, accounting and auditing

The opportunities and risk management system put in place by the company ensures that risks can be identified at an early stage. It is constantly being refined and adapted to changing circumstances. More details on this subject can be found in the Risk Report beginning on page 68.

Group accounting uses IFRSs (International Financial Reporting Standards). Appointed as auditors by the AGM and engaged by the Supervisory Board, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, proceeded to audit the 2005 annual and consolidated financial statements. Before engaging the auditors, the Supervisory Board had assured itself that the existing relationships between the auditors and the company and its executive bodies give no cause to call the auditors' independence into question.

Remuneration of the Board of Management

The annual remuneration of the members of the Board of Management consists of a performance-related component, a performance-related bonus and a long-term performance-related component.

Performance-related components comprise the fixed component plus additional compensation, which encompasses primarily the use of company cars, the reimbursement of travel costs and telephone costs, and special allowances and benefits received when working outside Germany.

The bonus is determined by the Supervisory Board on the basis of the company's business development after due assessment of the circumstances. The Supervisory Board still has the right to agree an appropriate special bonus for exceptional performance.

The long-term performance-related remuneration consists of options under the stock option plans as resolved by the AGM. These are outlined in the "stock option plan" section.

In fiscal year 2005, the remuneration paid to active members of the Board of Management amounted to €14.8 million (previous year: €12.8 million). Of this amount, €7.7 million derived from performance-related components (€7.1 million for the fixed component, €0.6 million for additional compensation), and €7.0 million from bonuses. The value attributable to fiscal year 2005 of the stock options granted to members of the Board of Management under the 2000 and 2003 stock option plans totaled €3.2 million (previous year: €3.1 million).

The remuneration was broken down as shown in the following table:

Remuneration of Board of Management in the Group in 2005

€	Fixed component	Bonus	Total	Value of the stock options granted attributable to 2005
Dr. Klaus Zumwinkel, Chairman	1,360,144	1,337,021	2,697,165	642,223
Dr. Frank Appel	715,000	702,845	1,417,845	329,499
John Mullen	860,000	845,380	1,705,380	129,424
Prof. Dr. Edgar Ernst	863,583	848,902	1,712,485	428,142
Dr. Peter Kruse	860,000	845,380	1,705,380	428,142
Dr. Hans-Dieter Petram	906,763	891,348	1,798,111	428,142
Walter Scheurle	715,000	702,845	1,417,845	428,142
Prof. Dr. Wulf von Schimmelmann	860,000	853,120	1,713,120	428,142
Total	**7,140,490**	**7,026,841**	**14,167,331**	**3,241,856**

The remuneration disclosed covers all activities of the members of the Board of Management in the Group.

In addition, 829,362 stock options were granted to members of the Board of Management in 2005. The remuneration of former members of the Board of Management or their surviving dependants amounted to €8.6 million (previous year: €1.1 million). Provisions for current pensions totaled €12.8 million. No credit or similar benefits were extended to members of the Board of Management. In the year under review, the members of the Board of Management received no benefits from third parties that were either promised or granted in view of their position as a member of the Board of Management.

Remuneration of the Supervisory Board

In accordance with Article 17 of the Articles of Association of Deutsche Post AG as resolved by the AGM, 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 component 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 2005, the consolidated net profit per share was €1.99 and therefore exceeded the figure of €0.50 by 49.67 x €0.03. The short-term performance-related remuneration totaled 38.89% of the total remuneration of all the members of the Supervisory Board.

For fiscal year 2005, 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 2007 exceeds the consolidated net profit per share for fiscal year 2004. The remuneration becomes due after the 2008 AGM. 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 also receives double, while a member of a Supervisory Board committee receives 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.

In fiscal year 2005, the total remuneration of the Supervisory Board, excluding long-term performance-related remuneration, amounted to approximately €1.2 million and can be broken down by the individual members as shown in the following table:

Remuneration of the Supervisory Board

€	Fixed component	Short-term perfomance-related remuneration	Attendance allowance	Total	Long-term performance related remuneration
Josef Hattig	70,000	51,450	8,500	129,950	13,650
Rolf Büttner	60,000	44,100	7,000	111,100	11,700
Willem van Agtmael	20,000	14,700	2,500	37,200	3,900
Frank von Alten-Bockum	20,000	14,700	3,000	37,700	3,900
Hero Brahms	40,000	29,400	7,000	76,400	7,800
Marion Deutsch	20,000	14,700	3,000	37,700	3,900
Gerd Ehlers	40,000	29,400	9,000	78,400	7,800
Dr. Jürgen Großmann	20,000	14,700	2,500	37,200	3,900
Annette Harms	20,000	14,700	3,000	37,700	3,900
Helmut Jurke	40,000	29,400	8,000	77,400	7,800
Prof. Dr. Ralf Krüger	30,000	22,050	6,000	58,050	5,850
Dr. Manfred Lennings	40,000	29,400	7,000	76,400	7,800
Dirk Marx	30,000	22,050	6,000	58,050	5,850
Roland Oetker	20,000	14,700	2,000	36,700	3,900
Silke Oualla-Weiß	20,000	14,700	3,000	37,700	3,900
Hans W. Reich	20,000	14,700	2,500	37,200	3,900
Franz Schierer	20,000	14,700	2,000	36,700	3,900
Dr. Jürgen Weber	20,000	14,700	1,500	36,200	3,900
Stefanie Weckesser	20,000	14,700	3,000	37,700	3,900
Margrit Wendt	50,000	36,750	9,500	96,250	9,750
	620,000	**455,700**	**96,000**	**1,171,700**	**120,900**

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.

Stock option plans

Stock Option Plan 2000

The year 2000 was the first time that the Board of Management and Supervisory Board were authorized by the AGM to issue stock options to the company's executives. The first tranche was issued in 2001, followed by a second in 2002. In 2003, the AGM adopted a new stock option plan (SOP), thereby annulling this authorization. The conditions under which options issued under the SOP 2000 may be exercised are in essence the same as the conditions for exercising options under the SOP 2003, which are described below.

For details of the outstanding stock options please see item 35 in the "Notes" section

Stock Option Plan 2003

The SOP 2003 authorized the Board of Management and Supervisory Board to issue up to 60 million options by July 31, 2005. Options were issued in three annual tranches, the first in August 2003 and the most recent in July 2005. The group of beneficiaries comprised the members of the company's Board of Management (group 1), members of the executive boards and members of the executive management of subsidiaries in Germany and abroad if, according to the company's guidelines, they belong to Group management levels 2 or 3 (group 2), and other senior executives (who are salaried employees) if, according to the company's guidelines, they belong to Group management levels 2, 3 or 4 (group 3). Senior executives at Group management levels 1 and 2 were only eligible to receive options if they had invested a certain amount in the company's shares and had deposited these shares.

For those wishing to exercise options, the following main points apply:

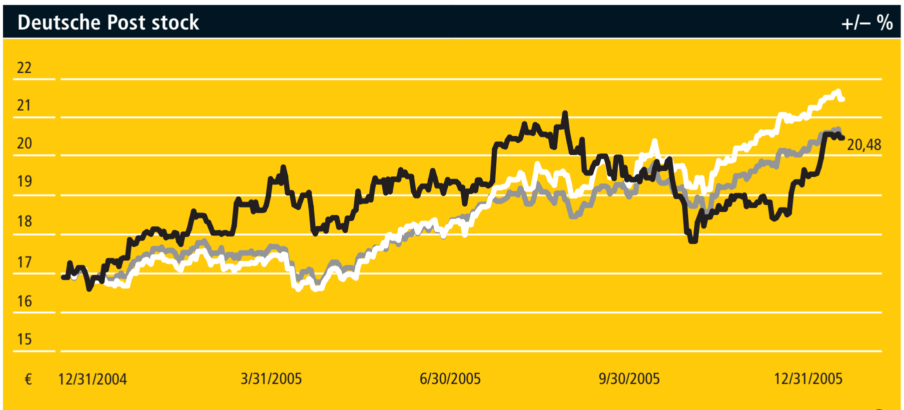
- There is a lock-up period of three years from when the options were issued. The options must then be exercised within a two-year period.
- Each option entitles the holder to either purchase one share in the company at the issue price or receive a cash settlement in the amount of the difference between the issue price and the average price of the stock during the last five trading days prior to the exercise date, at the company's discretion. The issue price is the arithmetic mean of the closing price of the stock on the last twenty trading days before the options were granted.
- For every six options issued, a maximum of four may be exercised if an absolute performance target is satisfied, and a maximum of two if a relative performance target is satisfied.

Absolute performance target: this target is satisfied if the average closing share price for the last 60 trading days prior to expiration of the lock-up period (the final price) exceeds the relevant issue price by a defined percentage. If the final price is at least 10% higher than the issue price, one of every six options granted may be exercised; if the final price is at least 15% higher than the issue price, two out of six may be exercised; if the final price is at least 20% higher than the issue price, three may be exercised; and if the final price is at least 25% higher than the issue price, four out of every six stock options granted may be exercised.

Relative performance target: two of every six options granted can only be exercised based on how well the stock has performed relative to the Dow Jones EURO STOXX Total Return Index (benchmark index). If the percentage change between the relevant issue price and the average closing price of the stock for the last 60 trading days prior to expiration of the lock-up period is at least equal to the percentage change in the benchmark index between the average value for the last 60 trading days prior to expiration of the lock-up period and the average index value for the relevant reference period (i.e. company stock is performing in line with the benchmark), then one out of every six options may be exercised. If, according to the above calculation, the stock has increased in value during this period by at least 10% more than the benchmark index, thereby outperforming the benchmark index by at least 10%, then two out of every six options granted may be exercised.

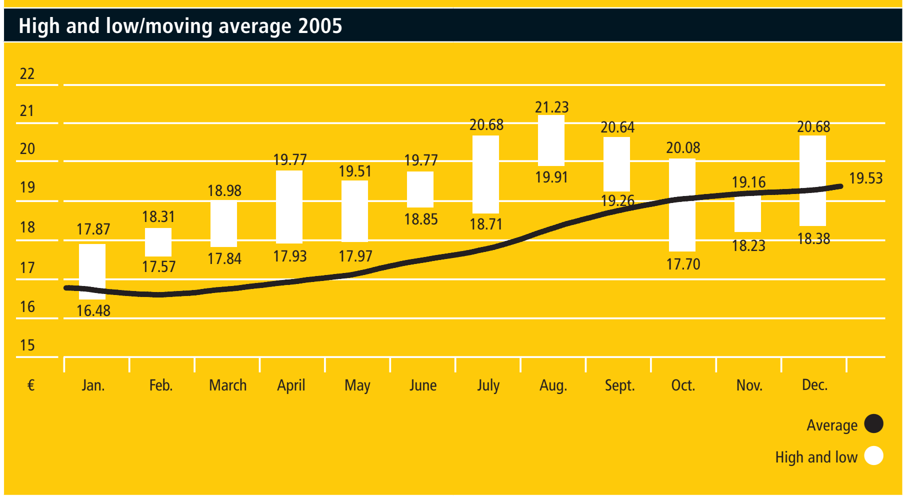
Majority of shares held privately

The international equity markets recorded strong price gains in 2005 – but our stock even managed to outperform them with an increase of more than 20%, and our dividend also rose significantly. Five years after its IPO, Deutsche Post AG is no longer majority-owned by the state.



Closing prices on the last trading day

		2004	2005	+/– %
Deutsche Post	€	16.90	20.48	21.2
TPG	€	19.98	26.40	32.1
FedEX	US$	98.49	103.39	5.0
UPS	US$	85.46	75.15	–12.1



1) Rebased to the closing price of Deutsche Post stock on Dec. 30, 2004.

Share price up by more than 20%

Deutsche Post stock as well as the DAX and EURO STOXX 50 indices performed well in the past fiscal year. While the overall economy still followed the previous year's trend in the first six months of 2005 – reflecting rising oil prices and terrorist attacks – the environment for equities improved significantly in early summer.

By German and European standards, our shares looked in good shape in the first half of the year in particular. Our share price was driven by positive news – primarily the sale of all of the federal government's remaining interest to KfW Bankengruppe (KfW).

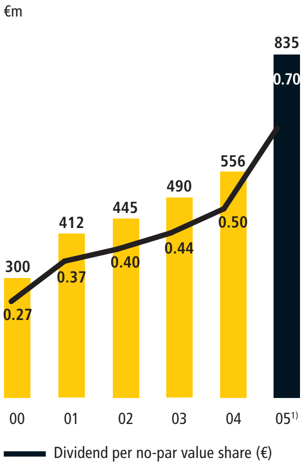
The second half of the year was dominated by the announcement of our acquisition of the British company Exel. During this period, our capital market communication was subject to legal restrictions that prohibited us from publishing segment-related forecasts for the fourth quarter. In addition, quality problems in the express business impacted our share price for a time: in the United States, the opening of our central air hub in Wilmington (Ohio) was hit by start-up difficulties. However, these were rapidly eliminated. Our shares recovered substantially at the end of the year following the successful conclusion of our acquisition of Exel.

The table below presents 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 data		2003	2004	2005	+/– %
Year-end closing price	€	16.35	16.90	20.48	21.2
High	€	17.64	19.81	21.23	7.2
Low	€	8.57	14.92	16.48	10.5
Price/earnings[1]		13.9	11.7[10]	10.3	–12.0
Price/cash flow[2), 3]		6.1	8.1	6.4	–21.0
Number of shares	millions	1,112.8	1,112.8	1,192.6	7.2
Market capitalization	€m	18,194	18,840	24,425	29.6
Beta factor[4]		0.57	0.84	0.75	–10.7
Average trading volume[5]	shares	1,901,051	2,412,703	3,757,876	55.8
Annual performance with dividend	%	67.9	6.4	24.1	
Annual performance excluding dividend	%	63.5	3.4	21.2	
Earnings per share	€	1.18	1.44[10]	1.99	38.2
Cash flow per share[3]	€	2.70	2.10	3.18	51.4
Equity	€m	6,106	8,865[10]	12,540	41.5
Return on equity before taxes[6]	%	34.2	29.2[10]	28.5	
Dividend	€m	490	556	835[7]	50.1
Distribution ratio[8]	%	37.4	34.8	37.4	
Dividend per share	€	0.44	0.50	0.70[7]	
Dividend yield[9]	%	2.7	3.0	3.4	

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) Per day
6) Profit from ordinary activities/average equity
7) To be proposed to the AGM.
8) Based on consolidated net profit.
9) Based on year-end closing price.
10) Prior-period amount restated, please see item 5 in the "Notes" section.

Dividend per share/dividend



1) To be proposed to the AGM.

Dividend increases to €0.70

The Board of Management intends to propose the payment of a dividend per share of €0.70 to the Annual General Meeting on May 10, 2006; this corresponds to a total dividend of €835 million and an increase of 50% compared with the previous year. The diagram opposite shows how the dividend has developed since our IPO. A total yield calculator is available on our website so that you can determine how much profit your shares have actually made, including dividend payments.

As in the previous year, the dividend is tax-free for shareholders resident in Germany, resulting in a net dividend yield of 3.4%. The distribution ratio is 46.0% of Deutsche Post AG's net profit for the period and 37.3% of the consolidated net profit. This means, for example, that a shareholder who subscribed for 1,000 Deutsche Post shares on December 31, 2004 would have achieved a return of 24.1% including dividends, and 21.2% excluding dividends, at the end of 2005.

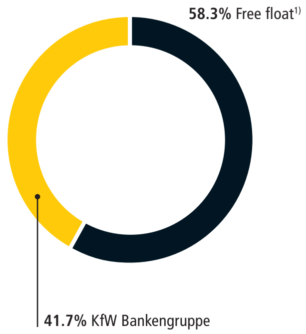
Majority of shares in free float

Our shareholder structure changed significantly in 2005. We approached our goal of achieving a 100% free float in several stages:

- On January 10, 2005, the Federal Republic of Germany sold 141.7 million Deutsche Post shares to KfW, increasing the free float to 43.9%.
- On June 15, 2005, KfW sold a tranche of 126.5 million Deutsche Post shares (including overallotment option) from its holdings to institutional investors. As a result, 55.3% of our shares were held in free float.
- On July 18, 2005, KfW acquired the remaining 7% of the shares held directly by the federal government. This amounted to around 80 million shares.

The sale of all the shares held by the federal government has taken us a major step forward to full privatization. This development is extremely advantageous for our company: our shares received a better weighting within the relevant stock market indices due to their higher liquidity. This made them more attractive to international investors, as shown by the regional breakdown in the diagram on the following page: the proportion of institutional investors from the United States has grown continually since the sale of the federal government's shares.

Shareholder structure



1) Of which 49% institutional investors, 9% private investors

We acquired the British company Exel plc on December 13, 2005. The purchase price was 900 pence in cash and 0.25427 Deutsche Post shares per Exel share. The new shares come from the authorized capital resolved by the 2005 Annual General Meeting and have been traded on the Frankfurt Stock Exchange since December 14, 2005. On the previous day, the listing of Exel shares on the London Stock Exchange was suspended. The number of Deutsche Post shares thus increased by 75.2 million. Since then, the free float has amounted to almost 60%, as the diagram opposite shows.

A total of 4,629,967 options were exercised under our stock option plan in the year under review.

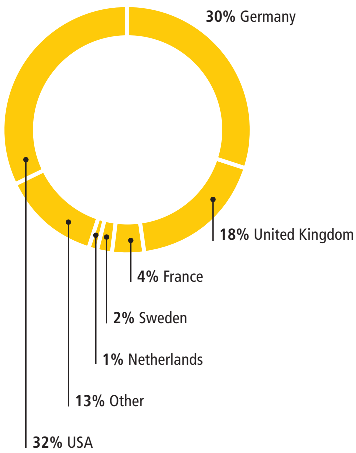
Annual General Meeting renews global authorization

The Annual General Meeting on May 18, 2005 adopted the following key resolutions:

- With the approval of the Supervisory Board, the Board of Management was authorized to increase the company's share capital by up to €250,000,000 by issuing up to 250,000,000 Deutsche Post shares by May 17, 2010. This corresponds to a potential increase in the share capital of around 22.5%.
- 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.
- Gerd Ehlers, Roland Oetker, Hans W. Reich and Dr. Jürgen Weber were appointed as new members of the Supervisory Board.

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

Institutional investors by region



Source: Thomson Financials

Deutsche Post bonds

In June 2004, during the course of Deutsche Postbank AG's IPO, we issued an exchangeable bond on Postbank stock in the principal amount of €1,082 million in addition to the public share offering. €64 million of this bond was repurchased by Deutsche Post in the year under review, thus reducing the principal amount of this exchangeable bond to €1,018 million. We provide an overview of our bonds as well as monthly updates on the development of the spreads on our i website (see "Bonds").

i http://investors.dpwn.com

Intensive investor communication

We continued to improve our capital market communication in 2005. In February, we held a Capital Markets Day dedicated to our European express business. Members of the Board of Management and of regional management gave an overview of the activities in their areas and of the progress we have made in integrating our European express business. As usual, the speakers answered questions from the around 80 participants and live on the Internet. Another Capital Markets Day took place in November in New York and focused on the express business in America and Asia.

A wide range of information about the Group and its shares, which we are constantly extending, is available on our i website. Each year, the German newspaper *Handelsblatt* rates the quality of investor relations information provided on the Internet. As in the previous year, we came second out of 110 companies.

i http://investors.dpwn.com

In addition, we came third in Germany in the IR Global Rankings, which compared over 400 companies.

Being number one is just the beginning

2005 marks the end of the three-phase strategy that has enabled us to restructure Deutsche Post World Net over the past fifteen years. After our successful turnaround, we focused on increasing our global presence and widening our range of services. We have combined all our areas to produce a powerful Group, and today we are the market leader – overall and in each individual segment in which we operate. But our ambition doesn't stop there: we don't just want to be the largest provider, we also want to be the number one for quality and customer satisfaction.

Goals achieved

Number one worldwide for logistics

> €1,445 million earnings contribution from STAR

> EBIT target of at least €3.7 billion slightly exceeded

Success factors

> Globalization

> Deregulation

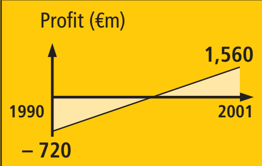
> Digitization

> Outsourcing

Our three-phase corporate strategy

1990 – 1997

I. Profitability achieved



1998 – 2000

II. Business expanded

> Value-added service developed
> Product range standardized
> International presence strengthened

2001 – 2005

III. Synergies leveraged

> Sales structures harmonized
> Uniform branding achieved
> Networks integrated
> Horizontal functions optimized

Our strength is to offer variety from a single source

Globally, Deutsche Post World Net has a comprehensive range of services for mail, goods and information logistics that is unrivaled by any other company in its sector. We developed as a group of companies that were the leaders in each of their countries and markets: these included Danzas and DHL, as well as Airborne, Postbank, Exel and other companies with different sizes and focuses in various parts of the world. This means we can now adapt to the specific needs of our customers in their respective environment, because a conventional offering has long failed to satisfy their requirements. Instead, customers are demanding a comprehensive service offering that bundles a range of services. Being able to deliver this kind of variety from a single source is our strength.

Success factors for our business

We have identified four trends that have a major effect on our business:

1. **Globalization** Demand for transportation throughout the world is continually increasing, with cross-border trade growing faster than national trade. That's why we are building a global network that links the most important economic regions. Our leading international role in air and ocean freight as well as in express and mail business means that we are ideally positioned for the long term. In contract logistics, too, only providers that establish their own operations in the key regions of the world will be successful in the long term.
2. **Deregulation** We know that cost-effective production can only be achieved by combining our international volume of business with our high-volume national business. As a result, our mail and express business also has a presence on domestic markets, for example in Europe, the United States, China and India. We therefore see the opening up of European mail markets as an opportunity to further expand our mail business internationally.
3. **Digitization** New media – above all the Internet – are changing the way information is transmitted and therefore the way people work in entire industries. As the technology leader in transaction banking, Postbank is profiting from this trend by taking over payment services for other banks. Logistics processes are also increasingly being digitized – from freight documents to the entire customs clearance process. As a result, the seamless exchange of information between shippers and recipients is becoming more and more important.
4. **Outsourcing** Demands are increasing in contract logistics: production chains are becoming more international and therefore more complex. In addition, production and trading companies are integrating their suppliers and customers extremely closely into their own logistics processes to shorten production cycles and delivery times, and to reduce stocks of goods and materials. Logistics increasingly provides the competitive edge. Only companies that master this business and at the same time have operational access to their customers' production processes can deliver the highest quality.

Delivering strategic success

We achieved further milestones in fiscal year 2005: you can read about the most important acquisitions, products and services, partnerships and joint ventures as well as Group initiatives on pages 28 and 29.

We have further harmonized our sales structures: since 2004, DHL has been serving more than 100 major multinational customers with its Global Customer Solutions (GCS) sales organization. This approach again proved to be extraordinarily successful in the year under review: GCS was able to attract a substantial volume of new business and extend existing agreements. This also enabled the Group to achieve cross-selling potential running into hundreds of millions of euros.

Our strength is our networks. They allow us to provide air freight capacity throughout the Group and to systematically utilize our own aircraft. In 2005, we merged the EURO-RAPID and EUROPLUS networks, thus enabling us to increase the efficiency of our services and at the same time cut costs. The new hub for our European express network will commence operations at Leipzig/Halle Airport in 2008. We signed the master agreement for this in the year under review.

Standardized branding

In 2005, we reinforced the positioning of DHL as a leading international provider of express and logistics services. In places where the brand is already known, we focused on communicating product messages that were tailored to that particular market. In Germany, for example, we targeted private customers with DHL's first nationwide "free-parcel Friday". On February 25, 2006, all customers had the opportunity to send a parcel anywhere within Germany free of charge. The final tally showed that seven times more parcels were sent on this day than on one of the days leading up to Christmas, the busiest time of the year. In the United States, DHL sharpened its image with an advertising campaign on the theme of customer service.

We are launching a new global brand campaign in the spring of 2006. The campaign will be centered around DHL employees and will use actual examples to showcase our capabilities and the specific benefits we can offer our customers.

In 2005, we promoted the Deutsche Post brand with a campaign that bore the slogan "Reaching people". Our goal was to position ourselves as an expert partner for business customers in the field of dialog marketing.

STAR increases enterprise value

Our program for value creation and integration ended on December 31, 2005. We have already fully completed around three-quarters of all projects, and believe that STAR has been a major success: for more than three years, over 500 employees from various backgrounds, business divisions and business cultures worked together to achieve a common goal. As a result, the Group has become an international company. We have learned to combine our wide range of skills and knowledge to benefit our customers and shareholders. And we have kept the promise we made to the capital markets.

Our original goal was to increase consolidated earnings to €3.1 billion in 2005. Due to the successes achieved, we raised this target and forecast EBIT of at least €3.7 billion for the Group in 2005. And we were even able to slightly surpass this goal as well. In its final year alone, STAR contributed an encouraging €583 million to consolidated earnings, of which €159 million was generated in the last quarter. This means that the program's accumulated contribution to earnings since its launch in November 2002 was €1,445 million.

Well prepared for future developments

In the coming years, we intend to focus our range of services even more squarely on the needs of our customers. The integration of Exel will be a major step towards this – and we aim to largely complete it in the next two years.

We continue to face the major challenge of integrating and optimizing our European network. The Operation and Network Europe project launched under STAR will therefore continue past the official end of the STAR program; this also applies to other long-term projects. We will merge stations and sorting centers that are only worth deploying for larger volumes or when existing contracts have expired. Overall, we aim to further extend our leading position in Europe and Asia in the long term. In the express business, with its major potential for automation, this means that the tighter the network, the faster, better and more cost-effectively we can operate it.

In future, we want to offer customers our services from a single source. The success of GCS has vindicated this approach. These and other measures are designed to ensure that we can meet all demand for logistics services.

First choice for our customers

We always want to be the first choice for our customers. This is why we are launching a new program in 2006: "First Choice" is the next step in our corporate strategy and it is as logical as it is ambitious. After pushing ahead with integration in recent years, we are now focusing on improving customer satisfaction and growing organically.

We are proceeding in a structured manner. An extensive benchmarking exercise will allow us to identify the main criteria by which customers choose a logistics provider. We then compare these to our processes and identify areas for improvement. On the basis of these findings, we develop initiatives in order to improve specific aspects of our service quality. At the same time, we are refining the systems we use to measure service quality.

The ultimate goal of this program is to mobilize our 500,000 employees and equip them to boost the Group's quality and productivity toward a world-class level of performance.

First Choice constitutes the fourth phase of our corporate strategy

2006 – 2009

IV. First Choice

- To become the first choice for our customers worldwide
- To mobilize 500,000 employees and equip them to boost quality and productivity to world-class levels
- To achieve organic growth

Milestones in 2005

Deutsche Post World Net again achieved key milestones towards becoming the world's leading logistics company: we increased our reach, extended our offering, gained strategic partners and re-laid the Group's foundations.

Acquisitions

March The acquisition of a total of 81% of the Indian express company Blue Dart becomes legally valid. We are the first international provider in the industry to now offer our customers our own domestic and international express services in the key Asian markets of China and India.

July DHL takes over the distribution logistics for bulky goods and part-loads for KarstadtQuelle AG. This mainly concerns the organization and implementation of the warehousing and distribution of bulky goods and part-loads for Quelle and Neckermann's mail-order activities. DHL took over the entire department store logistics in April.

October Deutsche Post acquires a majority interest in Dutch mail company MailMerge. Together with Selekt Mail Nederland, Interlanden, Selektvracht and DHL Global Mail, which already belong to the Group, this makes us the largest private mail services provider in the Netherlands.

Deutsche Postbank AG announces the acquisition of a 76.4% interest in financial and retirement planning specialist BHW Holding AG and thus the control over 90% of BHW shares. Together, both companies will be market leaders in mortgage lending, savings, home savings and demand deposits.

December Deutsche Post acquires British company Exel. The global market leader for contract logistics ideally complements DHL's strengths in Europe. This acquisition makes us the world's leading logistics company.

Products and services

February Deutsche Post World Net exploits the global visibility of DHL and launches DHL Global Mail as its new brand for international mail business.

April DHL Global Mail expands its activities in the British mail market and connects the UK's business centers with additional regional distribution centers. The first new center opens in Manchester and serves the northwest of England.

May Deutsche Post launches its "document service online", a platform developed jointly with SAP for electronic invoice interchange between business customers.

August DHL begins delivering its new corporate wear in what is the largest ever rollout of its kind. Within nine months, a total of 110,000 employees in over 200 countries and territories will receive around 1.4 million red and yellow items of clothing and will therefore visibly represent a strong brand.

September DHL EXPRESS Americas completes relocation to the new central air hub in Wilmington (Ohio) – one month earlier than planned. This is the largest relocation of its kind in the company's history. Nevertheless, we achieve our quality of service again within only a few weeks.

Deutsche Post's operational processes in mail production fulfill international standards for an effective quality management system, and receive the corresponding certificate from the *Technischer Überwachungsverein* (German Technical Inspection Association).

Prague data center
In July DHL receives the European Investment Award for its data center in Prague. This prize honors the best foreign investments in Europe.

Dr. Klaus Zumwinkel
DHL continually expands its flight network. A new direct daily service between China and the United States is launched in April.

Dr. Klaus Zumwinkel and John Allan
The acquisition of Exel has been completed. In December John Allan is appointed to Deutsche Post World Net's Board of Management where he will take charge of the enlarged logistics business.

Partnerships and joint ventures

February DHL wins Pepsi-Cola as a new key account: we carry almost 80% of the soft drink manufacturer's drinks shipments in Germany. Annual transportation volume: around 100 million cans and PET bottles.

DHL and the Fraunhofer Institute jointly test the possibility of fitting packages and transport containers with RFID transponders. The goal of this pilot project is to model the entire supply chain using radio frequency identification technology.

March DHL and Lufthansa Cargo establish the LifeConEx joint venture, which is based in Miramar (Florida). The company is the first specific provider for the life science industry to offer temperature-controlled specialist transportation services in the areas of pharmaceuticals, biotechnology, healthcare and medical technology.

May DHL receives a major two-year order from automobile manufacturer Ford in Indonesia. The order entails the warehousing and shipment of spare parts and accessories. The company has already been awarded similar orders by Ford in Australia, China, Brazil, Canada, Sweden, Poland and the United States.

June BMW is the first vehicle manufacturer to transfer its entire volume of part-load operations to a single provider's transport network. DHL supplies the BMW Group's 14 production locations in Germany, Austria and the UK.

August Sun Microsystems makes DHL its exclusive global logistics partner for spare parts deliveries. The three-year contract covers more than 300 DHL logistics facilities that hold thousands of spare parts for Sun's customer services network in more than 100 countries.

Group milestones

January Deutsche Post World Net is presented an award in recognition of its socially responsibility. We are the best-placed German company in the Good Company Ranking published by *Manager Magazin*, and rank third overall.

February From 2005 to 2007, Deutsche Post will offer 2,300 young people in Germany a traineeship each year. This is agreed in a training pact signed by the company and the ver.di trade union. In principle, we will also take on 30% of the trainees from 2007 to 2009.

May The Annual General Meeting resolves a dividend payout totaling €556.4 million for 2004, representing an increase in the dividend of around 14% to €0.50 per no-par value share.

June 55.3% of all Deutsche Post shares are in free float following a successful placement by KfW Bankengruppe. This marks the beginning of a new era for our company five years after its IPO: the majority of Deutsche Post shares are held privately for the first time.

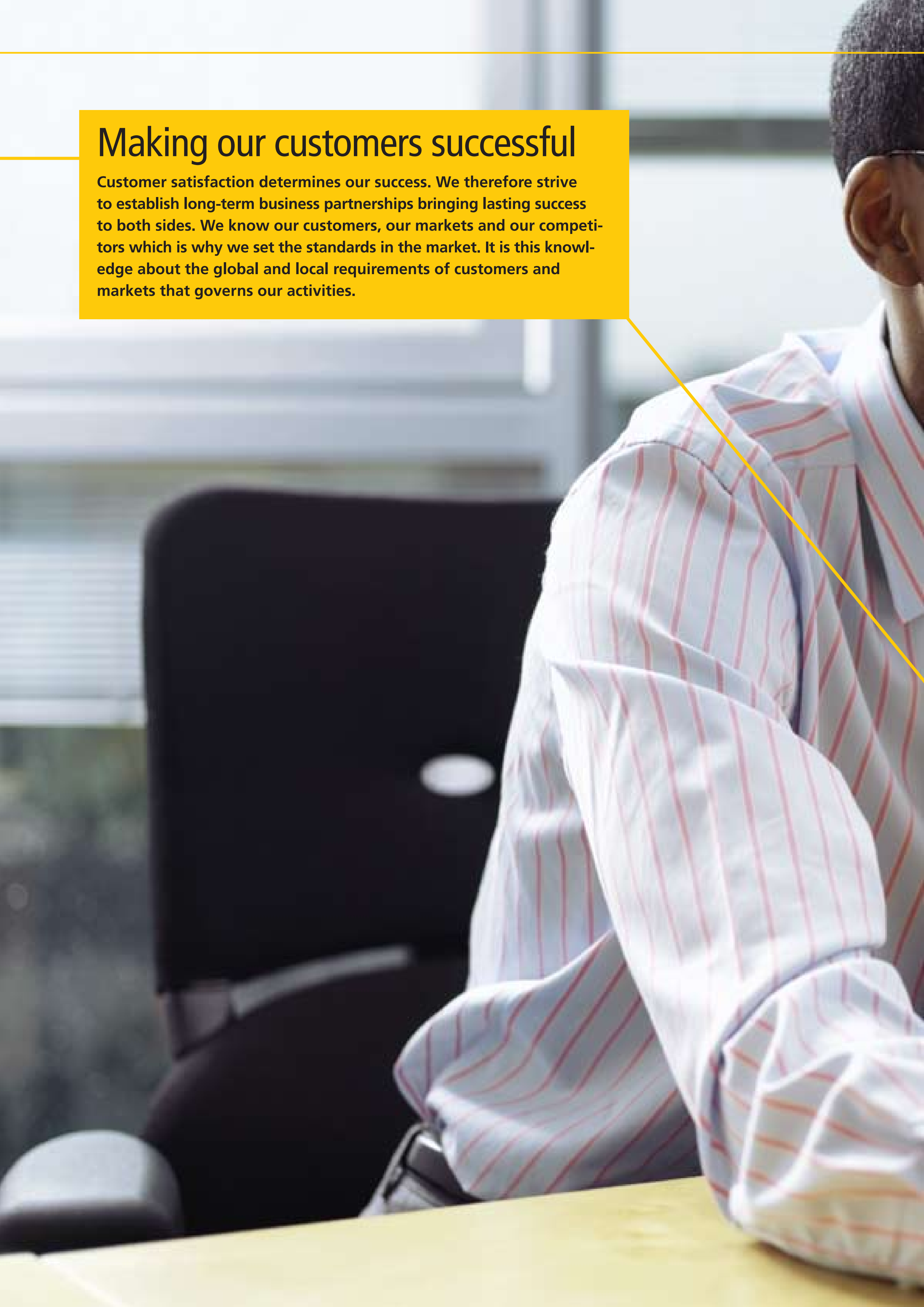
October Deutsche Post and Deutsche Postbank launch a joint retail outlets project: at the beginning of 2006, Postbank will take over the around 850 retail outlets in which Postbank now conducts more than 80% of its new business supported by outlets. This measure aims to further increase Postbank's selling power.

DHL establishes the DHL Logistics Management University in Shanghai. The goal of the company's own university is to attract specialists in the Asia Pacific region to us for the long term.

The Group
Group Management Report
Consolidated Financial Statements
Additional Information

Making our customers successful

Customer satisfaction determines our success. We therefore strive to establish long-term business partnerships bringing lasting success to both sides. We know our customers, our markets and our competitors which is why we set the standards in the market. It is this knowledge about the global and local requirements of customers and markets that governs our activities.



Electronic invoicing
The online document service allows business customers to send invoices electronically. Working together with SAP, we have developed a platform for this purpose and launched it on the market.

Round-the-clock parcel service
Registered customers can send and receive parcels 24 hours a day by visiting one of the more than 620 Packstations in over 90 cities and communities throughout Germany; 200 new machines were installed in 2005 alone.

Automotive industry relies on DHL
DHL knows and fulfills it customers` requirements. We store and ship spare parts and accessories for Ford in eight countries on four continents. And in the case of Volvo, as soon as the customer places an order we know which repair sets are needed and deliver these directly to the dealers' garages in Sweden and the UK.

Group Management Report

Revenue and EBIT by segment €m	2004 restated	2005	+/– %
Consolidated revenue	**43,168**	**44,594**	**3.3**
MAIL revenue	**12,747**	**12,878**	**1.0**
of which Mail Communication	6,776	6,442	–4.9
Direct Marketing	2,808	2,820	0.4
Press Distribution	797	805	1.0
Mail International/Value-added Services	1,715	2,098	22.3
Internal revenue	651	713	9.5
EXPRESS revenue	**17,557**	**18,273**	**4.1**
of which Europe	11,733	11,746	0.1
Americas	4,326	4,578	5.8
Asia Pacific	1,967	2,424	23.2
Emerging Markets (EMA)	769	873	13.5
Other/consolidation	–1,238	–1,348	8.9
LOGISTICS revenue	**6,786**	**7,949**	**17.1**
of which DHL Global Forwarding (DHL Danzas Air & Ocean)	4,990	5,723	14.7
DHL Exel Supply Chain (DHL Solutions)	1,803	2,239	24.2
Other/consolidation	–7	–13	85.7
FINANCIAL SERVICES income	**7,349**	**7,272**	**–1.0**
Group EBIT	**3,001**	**3,755**	**25.1**
MAIL	2,072	2,030	–2.0
EXPRESS	117	11	–90.6
LOGISTICS	182	315	73.1
FINANCIAL SERVICES	714	790	10.6
Other/consolidation	–84	609	825.0

Contents

Business and Environment

Management of the Group

Deutsche Post World Net provides national and international services in four corporate divisions under three brand names. We operate globally and are represented in more than 220 countries and territories, including all major economic regions. You can find a presentation of our locations on our website.

www.dpwn.com

As a German stock corporation, Deutsche Post has a dual management and supervisory structure. The Group is managed by the Board of Management, whose members are appointed by the Supervisory Board. The Supervisory Board advises the Board of Management and monitors its management activities. The key features of the remuneration system for the Board of Management and Supervisory Board are shown in the Corporate Governance Report, which forms part of the notes to the consolidated financial statements in these areas.

The Group operates in four corporate divisions, the Corporate Center and the service areas. The functions of Group management are performed at the Corporate Center. The corporate divisions are responsible for business operations and represent the segments required for the purposes of International Financial Reporting Standards (IFRSs). They are managed by separate divisional headquarters.

Deutsche Post World Net

	MAIL	EXPRESS	LOGISTICS	FINANCIAL SERVICES
Corporate division	MAIL	EXPRESS	LOGISTICS	FINANCIAL SERVICES
Brand	Deutsche Post	DHL	DHL	Postbank
Business division	• Mail Communications • Direct Marketing • Press Distribution • Value-added Services • Mail International	• Europe • Americas • Asia Pacific • Emerging Markets	• DHL Global Forwarding • DHL Exel Supply Chain	• Postbank • Retail Outlet Group • Pension Service

MAIL Corporate Division

We bundled our comprehensive service offering into five business divisions:

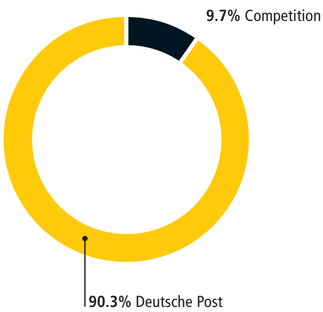
Business divisions and products

Mail Communication	Direct Marketing	Press Distribution	Value-added Services	Mail International
• Mail products • Special services • Franking • Philately	• Advertising mail • Tailored end-to-end solutions • Special services	• Distribution of newspapers and magazines • Special services	• Address and document management • Printing and lettershop services • In-house services • Special services	• Import and export of mail items • Cross-border mail • Domestic mail services in other countries • Special services

National market leader in Mail Communication

We carry mail products for private and business customers as well as offering additional mail and franking services. Our philately products meet collectors' demands for stamps and philately accessories. We have also been marketing and selling German collectors' coins since the beginning of 2006. Over and above our basic products, we develop tailored solutions for various business customer segments. We are extending our range of services to create a multi-channel communications offering, and are developing solutions for business process outsourcing.

Market share (volume) in mail communication in Germany



Source: company estimates

Historically, our mail business is focused on Germany. The national market for mail communication in the year under review amounted to around €7.3 billion. It contracted by around 3% as a result of the weak economic performance and substitution by electronic communication media. Our market share is declining slightly, but remains a healthy 90%.

The mail market continues to be dominated by regulatory considerations, as described in the risk report from page 68. In February 2005, the antitrust authority decided to permit the mailing of consolidated volumes at favorable conditions. As a result, competition in the market has intensified further: only a few months after this decision, around 100 companies are delivering consolidated mail volumes for medium-sized business customers to us.

Direct Marketing solutions for business customers

Direct Marketing supports our business customers in targeted communication with their clients using conventional direct marketing instruments. In addition, we provide customer dialog solutions across all types of media and thus combine dialog marketing and conventional advertising. The services we offer range from structured sector information to simple solution modules, to tailored end-to-end solutions. For example, we combine various elements of advertising to create a campaign.

Our relevant market sector – direct marketing in the narrower sense – grew by 1.5% to a volume of €20.9 billion. It contains all necessary expenditures along the value chain for advertising mailings, telephone and e-mail marketing. Our market share amounts to 14%.

Nationwide distribution of press products

We deliver press products nationwide and on a predefined day. Our Press Distribution business offers its products in two groups: preferred periodicals are traditionally aimed at publishing companies, while standard periodicals are also used by companies advertising their products and services. Special services include the electronic updating of addresses as well as complaints and quality management.

The overall press distribution market comprised 19.1 billion items in the reporting year, a fall of 1% compared with the previous year. Deliveries of daily newspapers in particular were lower, but were offset by increases in program listings magazines, allowing us to maintain our 11% market share.

Systems integrator for value-added services

Our range of value-added services covers the entire mail value chain. For example, we update, analyze and manage addresses. We record, digitize and archive documents electronically. Our document reading center is one of the largest of its kind in Europe. In addition, we operate around 170 mail rooms for major companies throughout Germany. We digitally print high-volume personalized business mail, including invoices and reminders, and our portfolio is rounded off by individual lettershop services. Our Value-added Services are therefore a key component in our activities as a systems integrator.

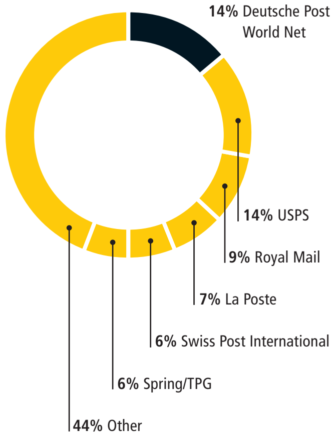
Active in important mail markets in other countries

In Mail International, we transport mail across borders, serve the domestic markets of other countries and provide international value-added mail services. Internationally we are also already one of the market leaders in cross-border mail services. We serve business customers in key national mail markets, including the United States, the Netherlands, the United Kingdom, Spain and France. We also entered the market in Japan via a cooperation with Yamato, a leading national transport service provider.

The global market volume for cross-border mail amounts to around €10.0 billion. The market shrank by 3% in 2004 as a result of electronic media replacing communication by letter. We increased our share of this market from 12% to 14%. Our international position is therefore roughly comparable to that of the United States Postal Service, as the diagram opposite shows.

Global cross-border mail market 2004

Market volume: €9,973 million



Source: Deutsche Post World Net, UPU Statistics 2004 (8.3), annual reports 2004 for USPS, Royal Mail, La Poste, SPI and TPG, additional calculations and estimates

Quality – a competitive advantage

We reach our customers in Germany via a nationwide transport and delivery network. At the heart of this network are 82 mail centers that process an average of over 70 million mail items per day. The automation rate at our mail centers remains high at 89%.

We use all available technical and operational options to ensure high-quality processing of mail, and to work efficiently. The quality of our services is measured according to how fast, complete and undamaged consignments reach their recipients.

We bundled our extensive industry expertise by segment during the reporting year to ensure that each customer group is provided with the right solution. In addition, we adopted the following measures to guarantee the quality of our services:

- The *Technischer Überwachungsverein* (TÜV – German Technical Inspection Association) audited our mail production quality management procedures and certified them as complying with the DIN EN ISO 9001:2000 standard.
- In mail delivery, we reduced the number of delivery districts from 57,000 to less than 55,000. This will enable us to improve our efficiency while at the same time safeguarding the quality of our processing. In the course of this initiative, we increased the mail volume from around 5,700 to over 5,850 per district each week.
- In February 2005, we introduced integrated route planning and optimization software that enables better planning of mail delivery routes.
- Over 50,000 employees (approximately 60% of all delivery staff) took the opportunity to extend voluntarily their weekly working hours in the year under review.

In the year under review, we were able to improve further on the already excellent results we achieved in mail transit times in the previous year: in Germany, we delivered more than 95% of the letters that were handed to us during our daily opening hours or before the last collection to the recipient the next day. The TÜV has reviewed and certified the process by which we have our transit times measured.

The transit times for international mail were measured in an independent study, in which we achieved a 96% quality rate and thus exceeded the European Union requirement – as in the previous years. Under this requirement, at least 85% of all cross-border mail in the EU must be delivered within three days of being posted.

Goals and strategy

Our goal is to offset impending losses of market share in the national mail market. We do this by pursuing three strategies: on the one hand, we are expanding our service offering for business customers and on the other we are increasing our presence abroad. In addition, we are continually optimizing the costs of our transport and delivery network and making them more flexible.

We are transforming ourselves from a mere transporter and deliverer of mail to a provider of end-to-end services along the entire mail value chain. To achieve this, we are focusing our sales activities more strongly on the needs of our customers and are gradually extending our offering in line with our integrator systems concept: over and above our traditional services, we are bundling products from various business areas to create solutions.

We aim to use direct marketing instruments to retain our existing customers, attract new ones and thus generate additional revenue. At the same time, we are advising our customers on optimizing their internal processes and thus on cutting costs.

While the continuing deregulation of national mail markets is posing a challenge for us in Germany, internationally we see it as an opportunity. We are increasing our activities in target markets and have three different entry strategies: acquisitions, cooperations and the development of our own networks.

EXPRESS Corporate Division

Under the DHL brand, we offer companies and private customers courier, express and parcel services (CEP) in three product lines. These are essentially differentiated between national and cross-border deliveries. We operate the world's most extensive network for intercontinental transport and cross-border transport within continents. Our business is structured according to the regions in which we are active.

Regions and products

Europe | **Americas** | **Asia Pacific** | **Emerging Markets**

- LCL
- Part-loads
- Full-load services

- Same Day
- Time Definite
- Day Definite
- Value-added services

Our model of the market for CEP services covers the three dimensions of speed, reach and weight. In accordance with standard international weight limits, the CEP market comprises all express and economy shipments weighing less than 70 kg, with the exception of letters.

Leading market position in Europe

In Europe, we have access to efficient national express networks. The business-to-business (B2B) segment accounts for a large proportion of our activities. We are able to offer specific nationwide shipping solutions to companies in a variety of sectors. We carry parcels and documents predominantly using our own vehicles. We also provide LCL, part-load and full-load transportation by road or rail or using combined transport.

In Germany, our traditional strength is in the business-to-consumer (B2C) segment. This means that we transport goods that consumers have ordered from companies, for example from traditional mail-order services. Sales made via Internet platforms are also gaining in popularity, and since 2004 we have been involved in a strategic partnership with the Internet marketplace eBay.

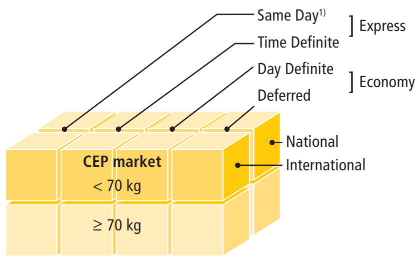
Figures for the six core countries of Germany, the United Kingdom, Italy, France, the Netherlands and Spain reveal that the European CEP market grew by 5-6% in recent years, and foreign business alone by 7-8%. The key growth driver was trade with Asia and the new EU member states. We were able to maintain our leading market position, as can be seen from the diagram opposite.

Domestic products dominate in the Americas region

In the United States, we serve domestic and international customers via our air and ground-based transport network. Domestic CEP products account for around 90% of the total market. Revenue from such products increased in the year under review, particularly in the Domestic Economy segment. This is an area in which we were able to outperform the market.

CEP market segmentation model

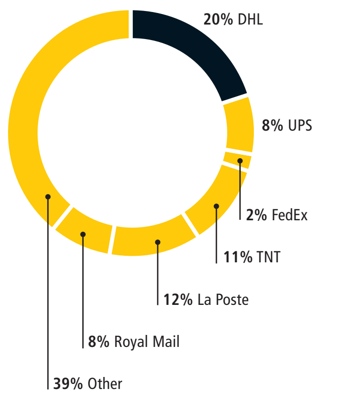
Products by speed:



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 2004

Market volume[1)]: €27.5 billion[2)]

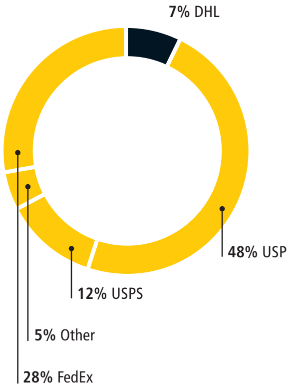


1) Comprises Germany, the United Kingdom, France, the Netherlands, Italy and Spain. The diagram refers to these six core countries. For these six countries plus S, B, L, P, FIN, DK, A, GR, PL, CZ, N and CH the market volume amounts to €33.7 billion.
2) The market volume for 2003 was restated to €26.1 billion due to refined methods of analysis.

Source: Market Research Service Center in association with GfK 2005

US CEP market 2004

Market volume: €44.8 billion[1)]

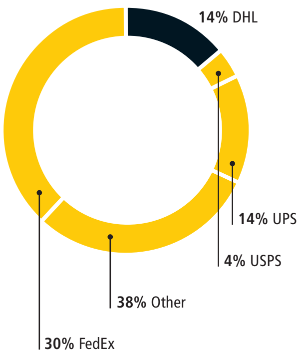


1) Foreign currency translation based on ECB average for 2004.

Source: Market Research Service Center in association with Colography Group 2005

US international CEP market 2004

Market volume: €3.8 billion[1)]



1) Foreign currency translation based on ECB average for 2004.

Source: Market Research Service Center in association with Colography Group 2005

Competition in the export market intensified considerably due to improved services and aggressive pricing. The diagram opposite shows we were the fourth-largest provider in the US CEP market in 2004, while in terms of the international CEP market in the United States we were in joint second place with UPS.

International business booming in Asia

In 2004, the overall CEP market for the Asia Pacific region was worth around €20 billion. Our core market here is the International Express segment, with a total market volume of approximately €3.4 billion. We have a 35% share of this segment. The core markets of Japan and China, including Hong Kong, account for up to 57% or around €2 billion of this market. Our market share is approximately 31%. We are the market leader in Japan and China.

As a major international express provider, we have been offering our customers our own domestic and international express services in China and India since 2005 and are thus playing a leading role in the expansion of the still relatively undeveloped national express markets in this region.

Emerging Markets – strong import markets

In the Emerging Markets, i.e. in eastern and south-eastern Europe, Africa and the Middle East, 90% of business is performed with business customers. Alongside the traditional express products, the greatest growth potential is offered by Import Express as the Emerging Markets region is primarily an inbound market. Yet domestic transportation is also increasing, as is the flow of goods between different regions. This is a result of industrial mass production and the increasing demand for reliable service.

Service – a competitive advantage

As the link between producers and retailers, express service providers must be prepared to break new ground to meet the changing needs of customers, who want simple and convenient solutions at competitive prices.

The following examples show how we meet these demands:

- Mail-order companies incur substantial costs if customers are not at home to accept their parcel. Customers must then collect the parcel themselves from the nearest retail outlet. We have solved both problems with the “Packstation”: registered customers can send and receive parcels using a machine 24 hours a day. We operate more than 620 Packstations in over 90 cities and communities throughout Germany, and 200 new ones were installed in 2005 alone. Around 300,000 customers are registered to use this free service. Over 85% of them rate it as very good or good. Furthermore, the TÜV has confirmed to us that we have developed a concept that focuses systematically and consistently on customer wishes.
- In the year under review, we introduced a “stamp” for express parcels for the private and small business market in Germany.
- And we developed the eBay auction service for private dealers: DHL prepares the product photo, handles payment of the transaction and ships the product.

In Europe, we further optimized the configuration of the air network and thus improved efficiency. Our new central air hub is being built at Leipzig/Halle Airport and is scheduled to start operations in 2008. The international EuroExpress and Eurapid Road Express road networks were merged, thus shortening transit times and standardizing our processes. We are integrating the delivery networks within individual countries as planned.

In the United States, there are several factors that are crucial in determining our position in the market: customer service, reliability, flexibility, speed, a broad product range and value for money. We measure our service quality on the basis of timely delivery and the underlying key performance indicators (KPIs). There is a guaranteed delivery time for each product apart from individual shipments whose size or weight exceeds certain parameters. We aim to deliver at least 97% of all shipments on time for all products and monitor the extent to which we achieve our goals on a daily basis. In 2005 we launched the Service Excellence project, under which we extended our practical training activities and introduced new KPIs.

We consolidated our two previous central air hubs in the north-east of the United States at one location. There were start-up difficulties following the move to Wilmington (Ohio), which, however, we were able to rectify quickly. This new, modern facility allows us to meet the requirements of our customers even more flexibly and much more efficiently. In addition, we have opened a new air hub in Riverside (California) that will bridge East and West.

We have increased our presence in Asia and expanded our offering in the Emerging Markets.

Goals and strategy

Our goal is to carry large shipment volumes via efficient networks – which is why we are integrating our existing structures in Europe. In the United States, too, we have been working intensively to integrate our air and ground-based transport networks since acquiring Airborne in 2003.

In Asia, we are focusing on expanding our network, widening our product offering and extending our market leadership in this fast-growing economy.

We want the quality of our services to set us apart from our competitors and are willing to go the "extra mile" for our customers to achieve this. We are developing systems for our customers that make it easier for them to use DHL for their shipping needs. An additional aim is to raise the visibility and value of the DHL brand still further, which is why we are harmonizing our product offering and sales structures, as well as our external appearance.

LOGISTICS Corporate Division

Our logistics business is divided into two business divisions. After the acquisition of Exel, these are DHL Global Forwarding (formerly DHL Danzas Air & Ocean) and DHL Exel Supply Chain (formerly DHL Solutions).

Business divisions and products

DHL Global Forwarding	DHL Exel Supply Chain
• Air freight • Ocean freight • Major logistics projects	• Value-added services along the entire value chain

Number one in intercontinental freight business

International air and ocean freight is the cornerstone of the product range offered by DHL Global Forwarding. We buy loading space and charter capacity from selected airlines and shipping companies, while also using the DHL fleet for air freight. We manage and monitor the entire flow of goods – from the sender to the recipient – with the aid of modern information technology.

Deutsche Post World Net has now become the leading company on the global logistics market following its acquisition of Exel: the combination of the two companies produces the world's number one in the intercontinental air and ocean freight business. Here we expanded in a number of up-and-coming markets including Asia. In China, DHL Global Forwarding has branches in 21 cities and, compared to the international competition, holds the highest number of licenses required to perform all logistics services independently. Even after China's entry to the WTO, this remains a competitive advantage.

Our air freight offering comprises three time-defined products. We can also offer reliable connections in regions that are served less frequently by competitors, including the Middle East and Africa, through our internal freight carrier "Star Broker" and by using the DHL air fleet. In west Africa, for example, we use a network that offers 170 flights a week. The air freight market grew by only around 3% in the year under review, compared with growth of more than 10% in the previous year.

Market shares in air freight 2004

Market volume: €22.2 billion	%
DHL Global Forwarding[1)]	11.6
Nippon Express	5.6
Kühne & Nagel	3.2
UPS (including Menlo)	3.1
BAX Global	3.0
Schenker	3.0
Kintetsu	2.9
Panalpina (excluding ASB)	2.8

1) Pro forma, amalgamation in 2005

Source: IATA/CNS (for the USA), company estimates

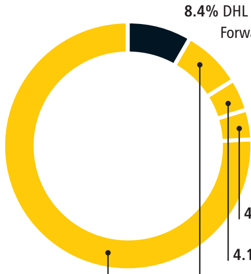
In global ocean freight, we offer less than container load (LCL), full container load (FCL) and non-containerized transportation services. Our LCL services are provided via an extensive network of collection centers organized either at country level or across borders. In addition, we plan and implement major logistics projects, in particular for the oil and gas, petrochemical, energy, plant engineering, infrastructure and mining industry segments.

We also expect that the growth rate in ocean freight will be lower than in the previous year. Although we were able to lift our volume above the market average, growth rates were down year-on-year. New ships were launched in the year under review, thus increasing overall capacity. In addition, the oil price hike sent the related surcharges levied by airlines and shipping companies to record levels. These are reported separately and can usually be passed on to customers, albeit often with a certain delay.

As planned, we established the LifeConEx joint venture with Lufthansa Cargo and are thus setting new quality standards for temperature-controlled transportation services for the life science industry. We now also offer IT-based value-added services in Latin America and the Emerging Markets, which has allowed us to gain new business.

Market shares in ocean freight 2004

Market volume for forwarding: 20.5 million TEUs[1]



1) Twenty-foot equivalent units
2) Pro forma, amalgamation in 2005

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

Positive momentum for contract logistics

In the DHL Exel Supply Chain business, we provide value-added services along the entire value chain. Our activities are focused on selected sectors, the most important being automotive, pharma/healthcare, electronics/telecommunications, fast-moving consumer goods and textiles/fashion. The majority of contracts in this area are longer term, hence the term contract logistics. We were able to extend 85% of existing agreements in the reporting year. The average contract term is three years.

A new EU directive provided us with additional contract logistics business: since August 2005, wholesalers and manufacturers in most European countries must take back waste electrical equipment so that it can be fitted with the latest technology and reused. This means that the equipment must be collected, sorted, separated, labeled and reprocessed. We already offer some of these services in a number of EU countries.

In economically difficult times, companies face growing pressure to cut costs by outsourcing services, for example. Contract logistics are currently experiencing growth partly due to increasing globalization and the growing demand for sophisticated end-to-end solutions. This enabled us to gain important customer orders in the Czech Republic and Slovakia.

Following its acquisition of Exel, Deutsche Post World Net has now also become market leader in contract logistics, as can be seen in the following table. Both companies complement each other regionally: while Exel is strongly positioned in the United Kingdom and the United States, we enjoy a leading position on the European continent.

Market shares in contract logistics 2004

Market volume: €167 billion	%
DHL Exel Supply Chain[1)]	5.5
TNT Logistics	2.2
Wincanton	1.6
Penske Logistics	1.6
Kühne & Nagel (including ACR Logistics)[1)]	1.2
UPS SCM	1.1
Thiel Logistik	1.0
Cat Logistics	1.0
Fiege	0.9
Ryder	0.7

1) Pro forma, amalgamation in 2005

Source: company data, Transport Intelligence, company estimates

Security – a competitive advantage

Following the terrorist attacks in 2001, strict security requirements were introduced in international transportation and have been continually extended since then. Complying with these requirements has now become a key part of managing transportation. The most extensive measures apply to imports into the United States: in ocean freight, for example, all shipment data must be sent to US customs at least 24 hours before a ship is loaded. Containers destined for the United States are subject to random checks by American customs officers as early as at the port of shipment. Ship-owners and port operators must develop security plans for international seaports.

Carriers that are able to protect legitimate security interests on the one hand and transport goods in an efficient and plannable manner on the other have a competitive advantage. We were one of the first logistics companies to join the Customs-Trade Partnership Against Terrorism (C-TPAT) program. Our certificate has now been confirmed because our internal security program not only fulfills the standards laid down by the US authorities, but in some cases even exceeds them.

We received several awards for our services in the year under review:

- DHL was voted the Best 3PL (Third-party Logistics) Provider by customers at the annual Asian Freight & Supply Chain Awards, in recognition of our core competency of delivering tailored one-stop logistics solutions.
- As part of the Asia Super Brands Survey conducted among consumers by Reader's Digest magazine, DHL was the first company in its sector to receive the Platinum Award in the air freight/express category.
- Lufthansa Cargo acclaimed our professionalism and loyalty in our business relationships by presenting us with the Planet Award of Partner Excellence.
- We were named Air Freight Forwarder of the Year for the third time in Asia. We regard this as recognition of our ability to meet our customers' requirements, no matter how complex.

Goals and strategy

We aim to exploit the opportunities offered by the consolidation and globalization of the logistics industry. In acquiring Exel, we have expanded our platform, service offering and geographic reach, enabling us to better meet our customers' requirements.

We are endeavoring to standardize our internal processes in air and ocean freight. We intend to bundle freight volumes on certain routes and further optimize the purchasing of freight capacity. This will enable us to achieve economies of scale and work more cost-effectively. We are making increased use of electronic booking platforms and are participating in two of the initiatives launched by IATA: Cargo 2000 sets new quality standards by measurably improving processes, while the object of e-freight is to establish a paperless system for transporting air freight.

In contract logistics, our goal is both to focus on the expectations of our customers and to work efficiently. The key factors here are price, quality, expertise and a presence in many regions. We aim to continually improve the infrastructure and productivity of our warehouses.

FINANCIAL SERVICES Corporate Division

The FINANCIAL SERVICES Corporate Division consists primarily of our listed subsidiary, Deutsche Postbank. It also includes the Retail Outlet Group and the Pension Service.

Postbank: business divisions and products

Retail Banking	Corporate Banking	Transaction Banking	Financial Markets
• Services and loans • Savings and mutual funds • Mortgages • Insurance products	• Payment transactions • Investments • Financing • Leasing and factoring	• Payment transaction processing	• Investments in money and capital markets • Risk management • Asset management

Leader in Retail Banking

Postbank offers a wide range of standardized banking products that meet the typical needs of private and business customers. In addition to traditional savings and checking products as well as the fast-growing securities business, this includes private real estate financing and home savings business. Following the acquisition of BHW Holding, Postbank will be the leading financial service provider for private customers in Germany. The expanded company will not only be market leader in terms of numbers of customers, but also in terms of key products.

Measured by the number of customers, Postbank's market share in 2005 was 9.1%. It was thus the largest single institution in the German retail banking market. With a volume of €42.0 billion (previous year: €40.8 billion) according to Bundesbank statistics, its market share of the savings business increased from 5.1% to 5.3%. It gained 14% of all new customers in Germany and as much as 16% of new checking business. According to the Bundesbank, 3.7% of private building loans in 2005 were issued by Postbank, compared to 2.9% in 2004.

Financing solutions for corporate customers

In Corporate Banking, Postbank primarily provides payment transaction services and financing solutions. In New York and London it operates in the area of commercial real estate finance.

Specialist for Transaction Banking

In Transaction Banking, Postbank also handles the payment transactions of other banks – domestic and foreign transactions for Dresdner Bank and domestic and European transactions for Deutsche Bank. Postbank is holding discussions with additional potential customers.

Postbank already occupies an outstanding position in the system-driven business of payment processing. In future this will be further enhanced by BHW, which is similarly successful in processing and administering real estate loans for third parties.

Expertise in financial markets

Postbank manages its money and capital market transactions in the Financial Markets Business Division. The division invests the bank's liquid funds in the financial markets and manages market price risk, in particular interest rate risk.

Sales channels – a competitive advantage

One of Postbank's decisive competitive advantages is its large network of distribution channels. To increase its selling power, and to realize strong growth and related economies of scale, Postbank will acquire Deutsche Post's 850 largest retail outlets in January 2006. Its customers also continue to have access to around 8,000 Deutsche Post outlets.

Postbank is also a market leader in online and telephone banking: Postbank customers now manage 2.1 million checking accounts and 456,000 brokerage accounts online, while 3.1 million customers perform their banking transactions over the telephone. The bank passes the cost reductions on to its customers. For example, conditions for private loan, securities and savings products are more favorable if they are purchased via the Internet.

In spring 2005, Postbank was voted Best Internet Bank by the computer magazine Chip. It was the first bank in Germany to introduce the mobile transaction number (mTAN). It is forgery-proof at the present time and is sent as a text message to the customer's mobile phone. Postbank has also made online banking even more secure by introducing the indexed transaction number (iTAN).

Goals and strategy

Postbank is pursuing three growth strategies: acquiring new customers, creating stronger relationships with its existing customers and increasing customer penetration, and generating additional income by providing services for other banks.

Postbank is further extending its strong position in checking and savings products by offering innovative products at attractive prices. It is also specifically promoting products such as investment funds and consumer loans, which require a greater degree of active selling. Postbank generates additional growth from third-party sales via the DSL brand and Postbank Vermögensberatung. This enables it to meet demand for products and advice that go beyond the standardized offering of its branch network.

Organization

Further optimization of Group structure

In 2005, we strengthened functions such as Taxes and Treasury in the regions, thus complying with international requirements. We also combined the service areas of the Group, and will report these as a separate segment from January 1, 2006. Further information is provided in the Outlook on page 82.

In 2005, we updated our information technology (IT) structure and set up "IT demand" units. Their function is to optimize the application landscape for each corporate division and consolidate user requirements for the IT services provider. We were able to implement a lean organization all along our global business functions and thus to introduce the new structures at regional level as well. At the same time, the service provider responsible for the entire Group with the exception of Postbank optimized its IT services, and is now concentrating on four production locations worldwide.

Organizational changes in operating business

Postbank is taking over 850 of our highest-selling retail outlets – primarily the Postbank Centers. Deutsche Post Retail GmbH's retail outlet network was therefore divided up as of December 31, 2005: 1,172 of its Deutsche Post-operated retail outlets were transferred to Deutsche Post AG. 850 Deutsche Post-operated retail outlets will remain in the hands of Deutsche Post Retail GmbH, whose shares were transferred to Postbank on January 1, 2006. Postal services will continue to be provided by all retail outlets. The new organization is designed to further develop and strengthen Postbank's field sales activities.

We are setting up an overarching service unit that will assume overall business responsibility for the retail outlet network. It will operate over 3,500 Post-Service outlets directly and will be responsible for the business management of the 1,172 outlets. In addition, it will coordinate more than 7,000 retail outlets, or agencies, operated by external partners.

With regard to mail sales in the field in Germany, the focus on customer sectors was reinforced. Within the regional business departments, the former regional structure of sales directorates was discontinued in favor of a focus on customer sectors that had previously proved itself when applied to sales management.

In the EXPRESS Corporate Division, regional management activities were realigned, and are now organized according to business responsibilities: Latin America will be managed as a separate region in future and is no longer included in the Emerging Markets.

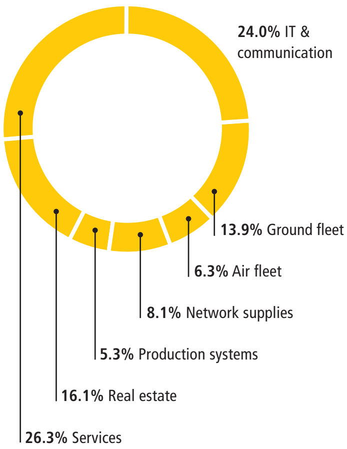
Procurement

Successful central procurement organization

Deutsche Post World Net has a centrally managed procurement organization. Goods and services are assigned to 16 product categories and procurement activities worldwide are coordinated by a single procurement manager in each case. These Corporate Category Managers in turn cooperate closely with the local and regional procurement managers;

Procurement expenses

Volume: approx. €6.3 billion



both report to the Head of Corporate Procurement. This matrix structure ensures that requirements worldwide are bundled together at Group level and, at the same time, that we meet the service and quality requirements of internal customers.

Each year, we procure indirect goods and services worth approximately €6.3 billion. These are goods and services that are not direct components of pricing, such as vehicles and IT. Transportation services, which account for the majority of direct products and services, are procured mainly by the corporate divisions. Procurement was restructured as part of STAR, with the aim of working more efficiently while cutting procurement costs. We made savings in all product categories in 2005 and thus substantially exceeded the forecast contribution to STAR of almost €300 million.

Key initiatives in the year under review were as follows:

- In Europe, we used Internet-based procurement processes to enter into master agreements for heavy commercial vehicles with a term of two years.
- When procuring production equipment, we were able to work with suppliers to cut significantly the cost of sorting systems using value analysis techniques.
- We reduced the number of agencies in Germany and Europe that Group employees use to organize their business travel.
- In the previous year, we invited tenders for all the Group's marketing and media services and focused on a small number of global service providers. This successful method has been extended to other areas.

Processes and systems standardized

We introduced an electronic order-processing system. More than 6,500 staff already use this SAP-based system in Germany, France, Poland and the United States. Before it was introduced, an international team standardized all procurement processes – from the initial request through to payment.

We launched a global supplier management system at the beginning of 2005. Together with its internal customers, the procurement department regularly reviews the performance of key suppliers, including whether they fulfill our ethical and ecological requirements. This enables us to counter potential weaknesses at an early stage.

Research and development

As a pure service provider, Deutsche Post World Net does not perform any research and development activities that would be comparable with those of manufacturing companies. This section therefore does not contain any disclosures.

Internal Group management system

We are once again reporting economic profit in addition to the EBIT 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 total 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, taking into account division-specific risk factors, as the cost of capital. We then multiply this rate by the average net assets employed to determine the total cost of capital.

Net assets employed = segment assets – segment liabilities incl. non-interest-bearing provisions + investments in associates + investments in the Deutsche Postbank group + investment property + net present value of operating lease obligations.

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

Net operating profit = EBIT + net income from associates + net income from measurement of Deutsche Postbank group at equity + interest component of operating lease expenses.

Economic profit increased very strongly compared with the restated prior-year figure, rising by 49.0% to €1,951 million. Exel did not impact these figures as a result of its inclusion at the year-end. Net operating profit after taxes in particular increased and the total cost of capital dropped. While average net assets employed fell as a result of the now fully effective changes made the previous year, the weighted average cost of capital after taxes at Group level was reduced to 5.9% (previous year: 6.2%) as a result of a further decline in the overall level of interest rates. The reclassifications in the consolidated financial statements were taken into account, and the actual tax rate was used to calculate taxes on net operating profit; the prior-period amounts were restated accordingly.

For fiscal year 2006, the weighted average cost of capital after taxes at Group level is set unchanged at 5.9%.

Economic profit (Postbank at equity) €m	2004 restated	2005	+/– %
Net operating profit after taxes	2,510	3,063	22.0
Average net assets employed	19,371	18,851	–2.7
Total cost of capital	–1,201	–1,112	–7.4
Economic profit	1,309	1,951	49.0

Economic environment

Global economy continues to grow strongly

The global economy continued its upward trend in 2005, but was unable to grow as fast as in the previous year. Growth in all regions of the world was solid to strong – apart from in the euro zone. Overall, global economic output increased by 4.25%. World trade rose by an impressive 7%.

Growth indicators for 2005

%	GDP	Exports	Domestic demand
Euro zone	1.3	4.4[1)]	1.5[1)]
Germany	0.9	6.2[1)]	0.2[1)]
USA	3.5	6.7	3.8
Japan	2.8	6.7	2.6
China	9.9	28.4	n/a

1) Estimated, as of February 15, 2006.

Source: Postbank Research

The US economy proved stable: capital spending remained the growth driver along with consumer spending. US GDP rose by a solid 3.5%, while foreign trade again impacted economic growth. The current account deficit, already extremely high, increased further to US$790 billion or 6.3% of GDP.

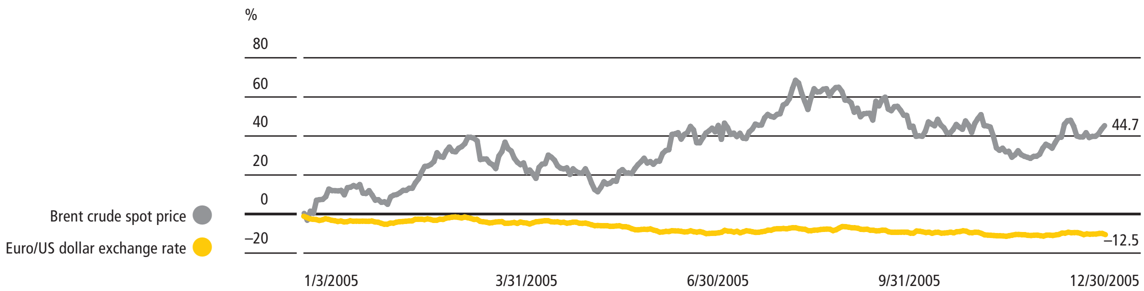
Asia remains the number one growth region, despite a slight economic slowdown. GDP in Japan grew by 2.8%. China continued to record outstanding economic growth: industrial production was the driving force behind growth of almost 10%.

In the first half of the year, the economy in the euro zone suffered from the strong euro and high oil prices. Although exports and investments as well as consumer spending showed somewhat higher levels of growth over the rest of the year, GDP could only manage growth of 1.3%.

The export industry proved to be a growth driver in Germany. Exports rose by 6.2%, and the trade surplus accounted for the major part of the GDP growth of 0.9%. However, domestic demand remained a weak point. Business confidence in the development of the economy increased substantially in the second half of the year.

Prices on the international crude oil markets continued to rise in 2005. Brent crude traded at an average price for the year of US$54.5 per barrel – more than 40% higher than the previous year.

Brent crude spot price and euro/US dollar exchange rate



At the end of 2005, the euro was quoted at US$1.18, representing a fall of 13.4% over the course of the year. The euro also fell slightly against sterling during 2005.

The international equity markets recorded substantial price gains in 2005, although they were impacted by high oil prices and continual key rate increases in the United States. In the course of the year, the EURO STOXX 50 rose by 21.3% and the DAX by 27.1%, while the S&P 500 had to settle for an increase of 3%.

On balance, long-term interest rates decreased slightly over the course of the year in the euro zone, even though the European Central Bank raised its key rate in December for the first time in five years. In contrast, yields rose slightly in the United States. The continued extremely low level of interest rates again created a favorable environment for corporate bonds.

Revenue and Earnings Development

Overview

Successful business development

Deutsche Post World Net closed the 2005 fiscal year very successfully. Consolidated revenue rose by 3.3% to €44,594 million and profit from operating activities (EBIT) increased by 25.1% to €3,755 million. We thus even slightly exceeded the earnings forecast of at least €3.7 billion confirmed by the Board of Management in December.

Although the express business in the Americas region grew in terms of shipment volumes, revenue and EBIT, in overall terms it fell short of our expectations. Consolidated earnings contain a write-down of goodwill for the EXPRESS Americas region of €434 million. This is offset by non-recurring earnings resulting from changes in statutory regulations relating to the Postal Civil Service Health Insurance Fund.

The corporate divisions developed as follows:

- As expected, with EBIT of €2,030 million, MAIL matched the high levels generated the previous year. The predicted decline in domestic mail was more than offset by strong growth in the international mail business.
- EXPRESS generated EBIT of €11 million. This represents a fall of 90.6% compared to the prior-year figure of €117 million. Earnings contain the write-down of goodwill of €434 million in the Americas region mentioned above. Excluding the effects of this write-down, earnings fell short of our expectations of around €500 million.
- LOGISTICS continued to develop positively. EBIT amounted to €315 million, a significant increase of 73.1% on the prior-year figure of €182 million.
- FINANCIAL SERVICES also continued its positive trend. EBIT totaled €790 million, a rise of 10.6% compared to the prior-year figure of €714 million.

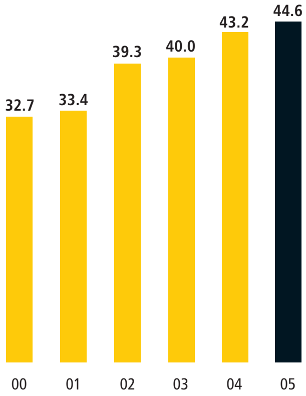
Consolidated net profit excluding minorities increased by 40.0% to €2,235 million. Earnings per share increased accordingly from €1.44 to €1.99.

Selected indicators for results of operations		2004 restated	2005	+/– %
Revenue	€m	43,168	44,594	3.3
Profit from operating activities (EBIT)	€m	3,001	3,755	25.1
Return on sales (EBIT)[1]	%	7.0	8.4	
Consolidated net profit excluding minorities	€m	1,598	2,235	40.0
Earnings per share	€	1.44	1.99	38.2

1) EBIT/revenue

Consolidated revenue

€bn per fiscal year



The Group

Consolidated revenue growth

Consolidated revenue rose by 3.3% to €44,594 million in fiscal year 2005 (previous year: €43,168 million). The share of revenue generated outside Germany amounted to €22,150 million or 49.7%. International revenue thus rose by two percentage points from 47.7% in the previous year, retaining its past trend of constant growth. For the first time, acquisitions such as Blue Dart Express Ltd. (Blue Dart), Koba S.A. (Koba) and Express Couriers Ltd. contributed to international revenue, namely in the amount of €746 million. Positive currency effects of €273 million were generated. As in previous reporting periods, by far the most revenue, in the amount of €18,273 million (previous year: €17,557 million), was generated by the EXPRESS Corporate Division, as can be seen from the table on page 32.

Increased income and expense

i Item 11 in the "Notes" section

i **Other operating income** rose by 170.0% to €3,685 million (previous year: €1,365 million). The main reasons for this were the reversal of provisions for the Postal Civil Service Health Insurance Fund of Deutsche Post AG and Deutsche Postbank AG in the total amount of €1,208 million as well as the reversal of VAT provisions of €369 million. i **Other operating expenses** also rose. The increase of €451 million to €4,407 million (+11.4%) was primarily due to an obligation to pay outstanding capital tax and trade capital tax that arose in the first half of the year. As previously reported, Deutsche Post AG had to pay tax arrears of €191 million as the result of an external tax audit.

i Item 15 in the "Notes" section

A further increase in **materials expense** of €1,954 million to €23,869 million was recorded (previous year: €21,915 million). This is mainly (+ €1,436 million) due to the increase in transportation costs observed in connection with the rise in volumes primarily in the Asia Pacific region, and in the LOGISTICS Corporate Division in particular. Acquisitions including Blue Dart, Koba and Express Couriers also contributed to the increase in materials expense, though to a lesser extent. **Expenses from banking transactions** fell by €279 million to €3,758 million (previous year: €4,037 million) on account of lower interest expenses.

Staff costs climbed 3.6% to €14,337 million (previous year: €13,840 million). In particular, increases in the number of employees as a result of acquisitions as well as expenses for the recognition of restructuring provisions at Deutsche Post AG contributed around €500 million of this increase. This was offset by reversals of pension provisions of €462 million (i curtailment) of which €402 million related to Deutsche Post AG.

i Item 4 in the "Notes" section

Depreciation, amortization and impairment losses for the period under review rose by €90 million over the previous year to €1,911 million (previous year: €1,821 million). Under the new IFRS 3, goodwill is no longer amortized from 2005; in the previous year, this amounted to €370 million. However, in the current fiscal year, an i impairment loss of €434 million was recognized on the goodwill for the EXPRESS Americas region. In addition, higher impairment losses were also recognized for internally developed software in 2005.

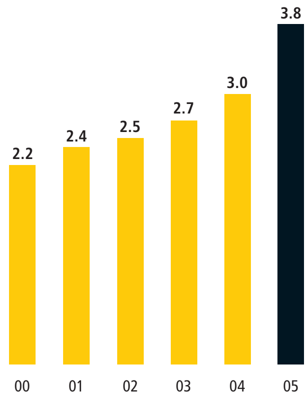
i Item 14 in the "Notes" section

Substantial earnings improvement

As goodwill is no longer amortized (in accordance with IFRS 3), EBIT rather than EBITA is our main earnings figure as of this year. For the year under review, the **profit from operating activities (EBIT)** amounted to €3,755 million, an improvement of 25.1% over the previous year's figure of €3,001 million.

Consolidated EBIT

€bn per fiscal year



In 2005, **net income from associates** rose from €4 million to €71 million. This includes a gain on the disposal of trans-o-flex Schnell-Lieferdienst GmbH (trans-o-flex) and France Handling S.A. **Net other finance costs** fell by €52 million from €825 million to €773 million. This is primarily as a result of the drop in interest expenses on discounted provisions, although this was offset by the obligation to pay interest amounting to €112 million on the above-mentioned tax arrears. Overall, the **net finance costs** therefore improved considerably by €119 million.

The **profit from ordinary activities** improved by 40.0% to €3,053 million (previous year: €2,180 million). Income tax expense amounted to €605 million (previous year: €440 million). At 19.8%, the tax rate remained almost unchanged as against the previous year (20.2%).

Minorities increased by €71 million from €142 million to €213 million. As a result of the Postbank IPO in June 2004, the minorities included Postbank for only seven months in the previous year.

Consolidated net profit up 40%

The development described above resulted in a **consolidated net profit** for the year excluding minorities of €2,235 million, an increase of 40.0% on the previous year's figure of €1,598 million. This results in **earnings per share** of €1.99 compared with €1.44 in the previous year.

We will propose the payment of a **dividend** per share of €0.70 to the Annual General Meeting on May 10, 2006. This represents an increase of 40.0%.

Corporate divisions

Revenue growth in international mail activities

In the MAIL Corporate Division, we more than made up for the expected losses of revenue in the German market with increases in international revenue: our **revenue** in 2005 rose by 1.0% to €12,878 million (previous year: €12,747 million). A total contribution of €358 million from the acquisitions we made in France and, in the previous year, the USA, accounted for an important part in international revenue growth. As in the past, we recorded only minor currency effects, amounting to €13 million in the period under review.

As expected, our **Mail Communication** Business Division suffered from the continued weakness of the domestic economy coupled with increasing competition: in the period under review, revenue fell 4.9% to €6,442 million. Following the decision by the antitrust authority in February 2005 to allow favorable terms for the mailing of consolidated volumes, around 100 companies are already delivering consolidated mail volumes to us for medium-sized business customers. We were also obliged to cut the prices of compact letters in 2005 in accordance with the price-cap procedure. The prices for standard letters and postcards will remain unchanged at €0.55 and €0.45 respectively.

German mail prices are among the lowest in Europe, according to a comparative European study by Deutsche Post. In addition to nominal prices for a standard letter (20 grams) in the fastest category, the study also takes into account significant macroeconomic factors, such as purchasing power and labor costs.

Due to weak domestic demand, we were unable to maintain sales volumes in the business customer segment and we also lost market shares to competitors. In the private customer segment, it is becoming clear that letters are being replaced by electronic communications media.

Mail Communication (Deutsche Post AG share)	2004	2005	+/– %
mail items (millions)			
Business customer letters	7,515	7,216	–4.0
Private customer letters	1,459	1,398	–4.2
Total	**8,974**	**8,614**	–4.0

The **Direct Marketing** Business Division also experienced a difficult economic environment in the year under review. In this area, however, we were able to attract new customers thanks to intensified sales activities and so equal the previous year's high figure with revenue of €2,820 million.

Direct Marketing (Deutsche Post AG share)	2004	2005	+/– %
mail items (millions)			
Infopost/Infobrief (addressed advertising mail)	6,870	6,889	0.3
Postwurfsendung/Postwurf Spezial (unaddressed/partially addressed advertising mail)	3,846	3,904	1.5
Total	**10,716**	**10,793**	0.7

The **Press Distribution** Business Division is showing evidence of a trend change after the falling revenue figures of recent years: revenue for the period under review rose to €805 million, up from €797 million for the previous year.

We were once again pleased to record substantial growth in our international business. Revenue in the **Mail International** and **Value-added Services** Business Divisions for the year under review rose by 22.3% to €2,098 million (previous year: €1,715 million). This primarily reflects the initial inclusion of two acquisitions: we have consolidated revenues from SmartMail Holdings LLC in the USA since May 28, 2004, and revenues from Koba in France since January 1, 2005. We have also grown organically, for example at our Dutch subsidiary Selekt Mail. The two newest business divisions now account for 16% of the corporate division's revenue.

We achieved our declared target figure with a **profit from operating activities (EBIT)** of €2,030 million. Productivity increases due to STAR made a particular contribution to this, as did higher revenue from the international mail business. Our **return on sales** for the period under review amounted to 15.8%, again reaching the high level of the previous year.

Express business up less than expected

The corporate division's **revenue** rose by 4.1% from €17,557 million to €18,273 million year-on-year. Positive currency effects of €124 million and €115 million from acquisitions contributed to the growth in revenue.

So as to enable improved management and transparent presentation of cross-segment service functions such as IT services, aviation and hubs, we now report these functions, which were formerly reported in the EXPRESS Corporate Division, in the Other/consolidation segment. Since April 1, 2004, we have presented the majority of the EU accession countries in the Europe region, and not the Emerging Markets (EMA).

In the **Europe** region, revenue rose by 0.1% to €11,746 million (previous year: €11,733 million). Revenue in Germany was up slightly on the previous year. While we suffered falls in volumes and slight losses of market share in retail outlet customer products, we achieved growth in international parcel and freight products. Growth for the rest of Europe was held back by the low rate of increase we achieved in some European countries, mainly for domestic products.

In the **Americas** region, revenue rose by 5.8% to €4,578 million (previous year: €4,326 million). This is primarily attributable to an increase in internal revenue and to positive currency effects of €72 million due to changes in exchange rates. The growth, driven by higher volumes, relates mainly to the United States.

We made progress with our integration activities in the United States in 2005: as described on page 39, we combined our two existing central air hubs at the Wilmington (Ohio) location. The start-up phase there was hit by operating problems which led to delivery delays. As a result, we lost customers in September and October, and also suffered related short-term revenue losses. However, we were able to restore our normal level of service quality after only a short delay. Our business operation in fact achieved increases in shipment volumes, revenue and EBIT, but still remained below expectations. As part of the annual impairment test, a write-down of €434 million was recognized on goodwill for the Americas region.

The **Asia Pacific** region maintained its double-digit growth rate, since the EXPRESS Corporate Division is benefiting from the region's rapid economic expansion. All subregions achieved substantial operating growth compared with the previous year. The acquisitions of Blue Dart in India in March 2005 and ECL in New Zealand in December 2004 contributed further external growth. Revenue increased by 23.2% from €1,967 million to €2,424 million.

The **Emerging Markets** region recorded revenue of €873 million, an increase of 13.5% compared to the prior-year figure of €769 million. Revenue in the Gulf region was once again healthy and even managed to improve slightly on the previous year's good performance. The remaining subregions recorded double-digit growth rates.

The EXPRESS Corporate Division generated a **profit from operating activities (EBIT)** of €11 million, compared with €117 million in the previous year. This drop is due to the above-mentioned write-down of goodwill amounting to €434 million for the Americas region. The previous year's figure includes goodwill amortization in the amount of €256 million. The Asia Pacific and Emerging Markets regions continued to grow strongly. The corporate division's overall result failed to match expectations due to the negative effects in the United States. The return on sales for the express business before impairment loss on goodwill was 2.4%.

Logistics earnings up sharply again

In 2005, the LOGISTICS Corporate Division repeated the previous year's excellent performance, achieving an increase in revenue of 17.1% to €7,949 million (previous year: €6,786 million). Strong organic growth in both business divisions contributed to this. Business development was also positively impacted by the takeover of KarstadtQuelle AG's department store logistics as of April 1, 2005. Revenue benefited from positive overall effects from acquisitions amounting to €294 million. The positive effect from currencies amounted to €136 million, due in particular to the relatively stable US dollar exchange rate compared to the previous year.

After the acquisition of Exel we renamed the business divisions in LOGISTICS at the turn of the year, as shown on page 40. Exel is not yet included in the revenue and earnings development in 2005 presented below.

Disclosures relating to the first-time consolidation of Exel and the resulting effects can be found in item 3 in the "Notes" section.

The **DHL Global Forwarding** Business Division exceeded its revenue and earnings targets in 2005. All three business areas achieved substantial increases, as shown in the following table. A rise in revenue of 14.7% to €5,723 million (previous year: €4,990 million) reflects sustained organic growth. As expected, Asia made an above-average contribution to this – in particular China, Hong Kong, South Korea and Singapore.

DHL Global Forwarding: revenue by area	2004	2005	+/– %
€m			
Air freight	2,594	2,925	12.8
Ocean freight	1,630	1,883	15.5
Projects/other	766	915	19.5
Total	4,990	5,723	14.7

The increase in air freight revenue is the result of higher volumes and higher fuel surcharges, which led to an increase in prices even though rates remained stable overall. Ocean freight recorded increases in transport volumes in particular. Freight rates including security and fuel surcharges increased slightly. The development in volumes is shown in the table below. We achieved significant growth in logistics value-added services, which we report under Projects/other. We generated additional business from new and existing customers alike.

DHL Global Forwarding: volumes		2004	2005	+/– %
thousands				
Air freight	Tonnage	2,200	2,380	8.2
Ocean freight	TEU[1]	1,120	1,240	10.7

1) Twenty-foot equivalent units

The **DHL Exel Supply Chain** Business Division also recorded organic growth, improving revenue by 24.2% over the prior year to €2,239 million (previous year: €1,803 million). The highest increase in revenue came from the fast-moving consumer goods and textiles/fashion sectors, mainly due to the successful integration of KarstadtQuelle's logistics business. Our activities for the telecommunications industry suffered from the effects of changes to customer contracts, but this was more than offset by new business.

DHL Exel Supply Chain: revenue by sector			
€m	2004	2005	+/– %
Automotive	87	81	–6.9
Pharma/healthcare	66	60	–9.1
Electronics/telecommunications	738	851	15.3
Fast-moving consumer goods	615	750	22.0
Textiles/fashion	241	418	73.4
Other	56	79	41.1
Total	**1,803**	**2,239**	**24.2**

The corporate division's **profit from operating activities (EBIT)** for fiscal year 2005 increased significantly by 73.1% from €182 million previously to €315 million. The prior-year figure included goodwill amortization of €99 million. The **return on sales** thus increased from 2.7% in the previous year to the current level of 4.0%.

Postbank results improved again

The results of the FINANCIAL SERVICES Corporate Division and of Postbank for 2004 have been adjusted for the effects of a change in accounting policy adopted in 2005.

Item 5 in the "Notes" section

The corporate division generated **income** of €7,272 million in 2005 (previous year: €7,349 million). Income from banking transactions comprises income from interest, fees and commissions, and trading transactions; it is equivalent to an industrial company's revenue.

The corporate division increased its earnings again: thanks to Postbank's continued healthy operating performance, the **profit from operating activities (EBIT)** in the corporate division rose by 10.6% from €714 million to €790 million.

In the period under review, Postbank was able to increase its total income – balance sheet-related revenues and net fee and commission income – by a substantial 5.9% to €2,831 million (previous year: €2,674 million). **Balance sheet-related revenues** – net interest income, net trading income and net income from investment securities – increased by 3.4% in the year under review to €2,132 million (previous year: €2,062 million). Despite the historically low level of interest rates during the course of the year, net interest income improved by 6.9% year-on-year to €1,675 million. At €252 million, net income from investment securities was 15.2% below the prior year. Net trading income increased by 3.5% to €205 million.

Net fee and commission income developed particularly well, rising by 14.2% year-on-year to €699 million. This was partly due to the fact that the new Transaction Banking Business Division was included for only part of the previous year. However, increased sales of products with a high advisory and consulting content and the new charging structure for checking accounts also made a positive contribution to this performance. The proportion of total income accounted for by net fee and commission income rose from 22.9% to 24.7%.

The **allowance for losses on loans and advances** for the credit business rose by 10.8%, and thus by less than the rate of growth in customer credits. Encouragingly, administrative expenses remained virtually unchanged at €1,886 million, despite the takeover of the payment transaction divisions of Dresdner Bank and Deutsche Bank, during the course of 2004 – these were included for only part of that year – and despite our acquisition of the London branch of BHF on January 1, 2005.

Net other operating income and expenses in the year under review amounted to €–21 million (previous year: €28 million). This item included the reversal of provisions for the Postal Civil Service Health Insurance Fund and the recognition of provisions for forthcoming integration measures.

Postbank's **return on equity (RoE)** before taxes rose year-on-year from 14.0% to 14.6%. The **cost/income ratio** also developed favorably, falling from 67.7% to 63.7% in the traditional banking business, and amounted to 66.6% including Transaction Banking. The **tier 1 ratio**, calculated in accordance with the BIS standards, amounted to 8.3% at December 31, 2005 compared with 8.5% at the end of the previous year.

Deutsche Postbank AG publishes its own annual report on March 13, 2006.

Investments

The Group's **capital expenditure (capex)**, i.e. investments in property, plant and equipment and intangible assets (excluding goodwill), amounted to a total of €1,931 million as of December 2005. €1,365 million of this related to investments in property, plant and equipment and €566 million to intangible assets (excluding goodwill). This represents an increase of 12.4% over the prior year. Expenditure focused primarily on the expansion of our international network structures.

In 2005, the MAIL Corporate Division invested mainly in technical equipment and the expansion of its information technology. Investments in the EXPRESS Corporate Division mainly focused on the network infrastructure in Europe and the United States. As part of our integration activities, we modernized our depots and renewed the vehicle fleet in some European countries. Key investments included the establishment of air hubs on the west and east coasts of the United States. Additional investments were made in developing customized transportation and warehousing solutions. We also invested in the expansion of our network of Packstations in Germany.

In the LOGISTICS Corporate Division, we invested primarily in the construction of multi-user warehouses. In our FINANCIAL SERVICES Corporate Division, we modernized and further expanded the information technology employed by Postbank. Postbank primarily invested in transaction banking. The retail outlets' technical platform and their general maintenance represented an additional focus of investments.

Company-wide investments centered on the establishment of our central US air hub in Wilmington (Ohio). In addition, we renewed our vehicle fleet in Germany and expanded the IT infrastructure in the data centers operating worldwide, including Prague in particular.

Consolidated capital expenditure (capex)	2004	2005	+/– %
€m			
Intangible assets (excluding goodwill)	477	566	18.7
Property, plant and equipment	1,241	1,365	10.0
Total	**1,718**	**1,931**	**12.4**

Item 3 in the "Notes" section

Investments in companies amounted to €4,135 million (previous year: €793 million).

Net Assets and Financial Position

Acquisitions and disposals

Leading the way with Exel

We have taken the decisive step towards becoming the leading logistics group with the largest acquisition in our history – the purchase of the listed British company Exel plc, which was completed on December 13, 2005. The Exel group was included in the consolidated financial statements at December 31, 2005.

In 2005, Exel achieved revenue of €11.5 billion and EBIT amounting to €312 million with some 110,000 employees in 130 countries. Following this acquisition, more than 50% of our future consolidated revenue will be generated outside Germany, resulting in our business portfolio becoming more balanced.

In addition to this i acquisition, we have also further strengthened our strategic positions in the other segments with targeted purchases, or streamlined them by means of disposals.

i Further details of changes in the consolidated group can be found in item 3 in the "Notes" section.

Largest private mail services provider in the Netherlands

In the MAIL Corporate Division, the following transactions are of particular interest:

- On January 14, 2005, we purchased 94.2% of the shares in the French mail services provider Koba, with the remaining shares in the group being purchased on November 15, 2005, resulting in Deutsche Post Beteiligungen Holding GmbH now holding 100% of the shares. We had already announced this acquisition during the previous year; it gives us access to the French market for value-added services in the mail business.
- Additionally, we acquired a majority interest in the Dutch company MailMerge on October 12, 2005. We increased our existing holding from 20% to 70%. Together with Selekt Mail Nederland, Interlanden, Selektvracht and DHL Global Mail, which already belong to the Group, this makes us the largest private mail services provider in the Netherlands. MailMerge provides its customers with comprehensive solutions for business mail and is the largest specialist provider of delivery services to the Dutch postal service's P.O. boxes.

First express delivery company in Asian domestic markets

The key acquisitions and disposals in the EXPRESS Corporate Division were:

- On March 11, 2005, the acquisition of 81% of the shares in the Indian company Blue Dart became legally binding. Deutsche Post World Net is now the first international company to offer customers its own domestic and international express services in China and India.
- We had originally planned to acquire a majority interest in trans-o-flex. However, this was prohibited by the *Bundeskartellamt* (German Federal Antitrust Authority) and the *Bundesgerichtshof* (German Federal Court of Justice). We therefore sold our 24.8% interest to the financial investor Odewald & Compagnie on March 17, 2005.

- On October 12, 2005, we disposed of Fuelserv Ltd., the second largest UK operator of market-independent fuel cards and refueling sites.
- We also disposed of the LBC group in October. Based in Sweden, the LBC group is a specialist provider of logistics and transport solutions to the Scandinavian furniture industry.

DHL takes over distribution logistics for KarstadtQuelle

In the LOGISTICS Corporate Division, we made a number of complementary acquisitions both prior to and in parallel with the takeover of Exel:

- In the ocean freight business, on November 14, 2005, we acquired all the shares in the freight forwarder Multicontainer S.A., a company headquartered in Greece. The company transfer took place on January 1, 2006.
- At the end of September, we disposed of our minority interest (33%) in the French company France Handling S.A., which provides ground handling services at selected airports in France.
- In contract logistics, we acquired significant parts of KarstadtQuelle AG's logistics operations. With economic effect from April 1, 2005, we initially took over distribution logistics for the Karstadt department stores. In addition to the assets and business of our customer, we gained around 3,600 employees. On July 1, 2005, we then assumed responsibility for distribution logistics for bulky goods and part-load services. As part of this overall framework, on June 8, 2005, we increased our equity interest in Gesellschaft für Privatkundenlogistik mbH from 10% to 100% enabling us to control the distribution of bulky goods over and above the warehouse function.

Consolidated balance sheet

Total assets rose by 12.1% to €171,893 million at the balance sheet date (previous year: €153,396 million). This development was largely the result of an increase in the receivables and other securities, as well as liabilities from financial services items, which both represent the operating business of Postbank in the consolidated balance sheet. Total assets were also influenced by the first-time consolidation of the Exel group in particular.

Noncurrent assets increased by 43.7% in the period under review to €24,471 million (previous year: €17,027 million). The main factor here was the provisional goodwill, included under intangible assets, resulting from the first-time consolidation of the Exel group. Overall, intangible assets increased by €5,903 million to €12,749 million (previous year: €6,846 million). Property, plant and equipment rose by 16.4% or €1,336 million year-on-year to €9,505 million (previous year: €8,169 million). This increase was due in particular to investments in the IT centers in Prague and Scottsdale, as well as assets worth €981 million included in the financial statements as a result of the acquisition of the Exel group. Noncurrent financial assets fell slightly by €52 million from €1,013 million to €961 million. At €373 million, other noncurrent assets were higher than the prior-year figure of €235 million, primarily due to the inclusion of pension assets of €117 million from the Exel group's overfunded pension plans. Deferred tax assets increased by €119 million to €883 million (previous year: €764 million), mainly as a result of temporary differences at Deutsche Postbank AG and Deutsche Post AG.

In the year under review, **current assets** rose by 8.1% or €11 billion to €147,422 million (previous year: €136,369 million). This is mainly attributable to the operating business of Postbank, and is reflected in receivables and other securities from financial services, which increased by €11,299 million to €136,213 million (previous year: €124,914 million). Bonds (€9.3 billion) and equities and other non-fixed-income securities (€2.6 billion) in particular contributed to this increase. Current assets worth €2.3 billion were included in the consolidated balance sheet as a result of the acquisition of the Exel group.

Details are presented in the Postbank annual report.

In the period under review, **equity** was strengthened primarily as a result of the consolidated net profit for the year attributable to Deutsche Post AG shareholders in the amount of €2,235 million. Equity increased by 41.5% from €8,865 million to €12,540 million. A dividend of €556 million was paid for the previous year. The capital increase in connection with the acquisition of the Exel group accounted for €1,464 million of the overall rise in equity. Currency effects of €108 million and the increase in minority interests of €210 million supported the positive equity development. The Group therefore enjoys a very sound capital structure. The **equity ratio** for the "Postbank at equity" scenario amounted to 29.6% (previous year: 24.5%), an increase of 5.1 percentage points compared with December 31, 2004.

The **ratio of equity to noncurrent assets** for the "Postbank at equity" scenario increased by 2.0 percentage points to 41.7% (previous year: 39.7%).

Current and noncurrent liabilities increased by €15,592 million or 11.8% year-on-year to €147,682 million (previous year: €132,090 million). This was largely attributable to the growth in liabilities from financial services, which rose by €11.5 billion. Group financial liabilities (excluding Postbank) increased by €426 million to €5,666 million (previous year: €5,240 million). The increase in trade payables of €1,667 million to €4,952 million is mainly due to an amount of €1,454 million relating to the Exel group. Other current and noncurrent liabilities also increased, rising by €1,867 million to €7,821 million (previous year: €5,954 million). The reasons for the rise were an increase of €976 million in subordinated debt at the Postbank group and a contribution of €812 million from the Exel group.

Item 43 in the "Notes" section

Current and noncurrent provisions decreased by €770 million. The decrease was primarily due to the reversal of provisions of €1,208 million for the Postal Civil Service Health Insurance Fund. Provisions for STAR totaling €272 million were utilized. Provisions include an amount of €832 million in respect of the Exel group.

Items 40 to 42 in the "Notes" section

Cash flow disclosures

Item 50 in the “Notes” section

In order to illustrate the financial position, the major items in the cash flow statement (Postbank at equity) have been summarized below.

Selected indicators for financial position (Postbank at equity)	2004	2005
€m		
Cash and cash equivalents at December 31	4,781	1,384
Change in cash and cash equivalents	**2,448**	**–3,397**
Net cash from operating activities	2,578	1,657
Net cash from/used in investing activities	357	–3,860
Net cash used in financing activities	–519	–1,149
Changes in cash and cash equivalents due to changes in exchange rates and changes in consolidated group	32	–45

Net cash from operating activities decreased by €921 million to €1,657 million (previous year: €2,578 million). This was mainly the result of a rise in non-cash income which is reported under net profit before taxes. Tax payments were also significantly higher in 2005 than the previous year.

Net cash used in investing activities amounted to €3,860 million in the year under review. This was mainly due to investments in noncurrent assets (capital expenditure) amounting to €1,795 million, as well as to investments in companies of €4,135 million (principally the acquisition of Exel (€3,720 million)). This was offset by proceeds from disposals of €1,663 million, primarily resulting from the sale of company holdings, in particular in Deutsche Post Retail GmbH (€986 million). In the previous year, the main factor affecting cash flow from investing activities was a cash inflow of €1.5 billion from the Deutsche Postbank AG IPO, with the result that investing activities generated a net cash inflow of €357 million.

Net cash used in financing activities rose from €519 million to €1,149 million. While in the previous year there was a cash inflow of €429 million from additional financial liabilities, in the current fiscal year, financial liabilities were reduced by €275 million in 2005. In the previous year, net cash used in financing activities mainly reflected proceeds from the exchangeable bond issued by Deutsche Post AG on shares in Deutsche Postbank AG (€1.08 billion). Interest payments of €375 million (previous year: €458 million) and the dividend paid to Deutsche Post AG shareholders of €556 million (previous year: €490 million) resulted in an overall net cash outflow.

As a result of the net cash flows shown above, cash and cash equivalents for the Group excluding Postbank declined by a total of €3,397 million in the period under review. At December 31, 2005, cash and cash equivalents amounted to €1,384 million, compared to €4,781 million at December 31, 2004.

Principles and aims of financial management

In order to ensure financial stability and flexibility for the Deutsche Post Group, we aim to achieve a balanced relationship between equity and liabilities. In doing so, we have to take into account both the return expected by shareholders and the requirements for rating purposes. In 2005, the equity ratio amounted to 30% (previous year: 25%). In order to minimize the cost of capital and benefit from economies of scale and specialization, external financing measures, Group-wide finance and liquidity management, and the hedging of interest rate, currency as well as commodity price risks are all coordinated centrally. To limit these risks, the Group makes use of derivative as well as primary financial instruments.

Currently, this involves managing interest rate risk mostly with interest rate swaps and, to a limited extent, with options. Cross-currency swaps and options are used to hedge currency risks, in addition to ordinary forward transactions. Swaps are one of the methods employed by the Group to limit risks relating to commodities. The necessary universe of actions, responsibilities and controls have been clearly established in internal guidelines. Deutsche Post aims to structure its debt financing using a broad mix of financial instruments. Particular use is made of capital market measures, structured financing transactions and operating leases for this purpose.

Operating leases are used for financing aircraft and real estate in particular, but also for vehicles and IT equipment.

Details on lease obligations and contingent liabilities can be found in items 52 and 54 in the "Notes" section.

By far the most important currency in which debt is denominated is the euro (64%), followed by the US dollar (24%). The Group expects interest rates in the euro zone to increase slightly but to continue to remain well below long-term average rates. The negative impact which a rise in interest rates would have on the financial position has admittedly been increased by the cash outflows used for acquisitions, but still remains insubstantial.

In addition, the Group currently has unused credit lines amounting to some €4.2 billion. This is in keeping with the fundamental banking policy applied across the Group, whereby dependence on the lending policy of a single bank or banking group is to be avoided.

The creditworthiness of the Group is regularly reviewed by the Standard & Poor's, Moody's Investors Service and Fitch IBCA rating agencies. The current ratings are:

Ratings

	Moody's Investors Service	Standard & Poor's	Fitch IBCA
Long-term	A2	A	A+
Outlook	Stable	Negative	Negative
Short-term	P–1	A–1	F1
Last change	February 14, 2006	December 14, 2005	December 20, 2005

Selected indicators for the "Postbank at equity" scenario

The business activities of the Deutsche Postbank group differ fundamentally from those of the other companies in the Group. For this reason, we present an additional analysis of the balance sheet indicators under the "Postbank at equity" scenario. In this perspective, Postbank is treated as a financial investment carried at equity.

Net debt comprises financial liabilities less cash and cash equivalents, securities, current financial instruments and long-term deposits. In 2005, net debt increased from €3,991 million to €3,959 million (previous year: €–32 million). This was primarily due to the acquisition of Exel.

For the same reason, the ratio of net debt to the total of equity and net debt combined also rose: **net gearing** increased from –0.4% to 26.8%.

Selected indicators for net assets (Postbank at equity)		2004	2005
Equity ratio[1]	%	24.5	29.6
Ratio of equity to fixed assets[1]	%	39.7	41.7
Net debt	€m	–32	3,959
Net gearing[1]	%	–0.4	26.8
Net interest cover		10.6	20.1
Dynamic gearing ratio	years	0	2.4

1) Equity definition restated due to minority interest contained in equity since 2005.

Net interest cover of 20.1 indicates that EBIT exceeds net interest payment liabilities by a factor of 20.1. This indicator is up by 9.5 percentage points on the previous year's value.

The **dynamic gearing ratio** expresses the average number of years required to repay outstanding debt using the whole of the operating cash flow generated in the year under review. Accordingly, in 2005, net debt would have been paid by operating cash flow in 2.4 years. The increase compared with the previous year is once again attributable to the significant rise in net debt as a result of the acquisition of Exel.

Balance sheet structure (Postbank at equity)	2004 restated		2005	
As of December 31	€m	%	€m	%
ASSETS				
Intangible assets	6,677	22.5	12,527	34.3
Property, plant and equipment	7,243	24.4	8,752	23.9
Noncurrent financial assets	4,150	14.0	4,304	11.8
Other noncurrent assets	235	0.8	373	1.0
Deferred tax assets	244	0.8	449	1.2
Noncurrent assets	**18,549**	**62.6**	**26,405**	**72.3**
Inventories	224	0.8	279	0.8
Noncurrent assets and disposal groups held for sale	0	0.0	28	0.1
Current tax receivables	549	1.9	526	1.4
Receivables and other assets	5,339	18.0	7,888	21.6
Cash and cash equivalents including financial instruments	4,969	16.8	1,419	3.9
Current assets	**11,081**	**37.4**	**10,140**	**27.7**
Total assets	**29,630**	**100.0**	**36,545**	**100.0**
EQUITY AND LIABILITIES				
Equity attributable to Deutsche Post AG shareholders	7,242	24.4	10,707	29.3
Minority interest	24	0.1	110	0.3
Equity	**7,266**	**24.5**	**10,817**	**29.6**
Noncurrent provisions	8,194	27.7	7,309	20.0
Noncurrent financial liabilities	4,552	15.4	4,811	13.2
Other noncurrent liabilities	260	0.9	233	0.6
Noncurrent provisions and liabilities	**13,006**	**43.9**	**12,353**	**33.8**
Current provisions	2,254	7.6	2,363	6.5
Current financial liabilities	737	2.5	930	2.5
Trade payables	3,176	10.7	4,869	13.3
Current tax liabilities	437	1.5	558	1.5
Liabilities included in disposal groups classified as held for sale	0	0.0	20	0.1
Other current liabilities	2,754	9.3	4,635	12.7
Current provisions and liabilities	**9,358**	**31.6**	**13,375**	**36.6**
Total equity and liabilities	**29,630**	**100.0**	**36,545**	**100.0**

Employees

Number of employees rises following acquisitions

As of December 31, 2005, we employed 455,115 full-time employees (previous year: 340,667), an increase of 33.6% on the previous year as a result of our acquisitions. The number of civil servants continued to fall.

There was a different trend in each of the corporate divisions:

- In the MAIL Corporate Division we continued to optimize our operational processes and retained the voluntary extension of weekly working hours for mail carriers. As a result, it was possible to reduce the number of employees by 1.3% to 125,282.
- After we had increased our holding in the Indian operator Blue Dart, the number of employees in the EXPRESS Corporate Division grew by 1.3% to 131,927.
- In the LOGISTICS Corporate Division the number of employees rose sharply to 148,095, an increase of 360.5%. This was due to the takeover of Exel and of KarstadtQuelle's department store logistics as well as operating growth.
- The number of employees in the FINANCIAL SERVICES Corporate Division decreased by 6% to 29,799. This was the consequence of planned workforce adjustments in Postbank's Transaction Banking Business Division, as well as the reorganization of the retail outlet network.

Workforce as of December 31	2004	2005	+/– %
Employees as of the balance sheet date (total workforce)[1]	**379,828**	**502,545**	**32.3**
Full-time employees[2]	**340,667**	**455,115**	**33.6**
By corporate division			
MAIL	126,913	125,282	–1.3
EXPRESS	130,218[4]	131,927	1.3
LOGISTICS	32,159	148,095	360.5
FINANCIAL SERVICES[3]	31,715	29,799	–6.0
Other/consolidation	19,662[4]	20,012	1.8
By region			
Europe	270,788	330,785	22.2
North, Central and South America	40,656	74,122	82.3
Asia Pacific	23,317	41,311	77.2
Other regions	5,906	8,897	50.6
Average for the year	**342,639**	**348,642**	**1.8**

1) Headcount including trainees
2) As of the balance sheet date (excluding trainees)
3) Of which Postbank 10,006 (2004), 9,235 (2005)
4) Prior-period amounts restated due to retroactive reclassification of cross-segment service functions in Other/consolidation.

Collective agreements permit reliable planning

The pay rises agreed last year for employees of Deutsche Post AG were implemented on November 1, 2005, with a linear wage increase of 2.3% for hourly workers and salaried employees. The wage agreement runs until April 30, 2006.

We have agreed wage settlements for employees of the following companies: DHL Express Vertriebs GmbH & Co. OHG, DHL Verwaltungs GmbH, Deutsche Post IT Solutions GmbH, Deutsche Post Bauen GmbH, Deutsche Post Immobilienentwicklung GmbH and Deutsche Post Immobilienservice GmbH. The agreements are valid from January 1, 2005, for a period of two years. They each include a one-time payment of €400, which was made in 2005, as well as a linear increase of 1.8% from February 1, 2006. The wage settlement with DHL Express Betriebs GmbH also provides for a one-time payment of €400, with a linear wage increase of 1.8% from May 1, 2006. This agreement runs from April 1, 2005, for a period of two years.

Collective agreements were also concluded for the around 3,600 employees who joined us from KarstadtQuelle AG. On January 1, 2006, a variable, performance-based element was established as part of employees' annual income. In taking this step, we have introduced a pay scheme that is customary in our industry and that ensures we are in line with the forwarding and logistics sector in North Rhine-Westphalia. It also provides for a regular working week of 39 hours and flexible working time accounts. Established rights arrangements were drawn up for employees who were transferred. The agreements run until April 30, 2008, and thereby ensure that we can remain competitive in this area.

We have also reached an agreement with German services union ver.di concerning the working and pay conditions for employees at the new DHL air hub in Leipzig/Halle: the most important elements of the collective agreements are the introduction of flexible working hours and a system of pay that is typical for our sector. The agreements run until December 31, 2009, thus ensuring that we can plan reliably for the construction and commissioning of the new European hub.

Agreement reached on occupational pensions

Deutsche Post AG and ver.di have concluded their negotiations concerning the future of the employer-funded occupational pension scheme. Starting in 2006, the future pension entitlement under this scheme will be adjusted by 1.45% annually, while current recipients of occupational pensions will see an annual adjustment of 1.0%. This agreement allows the company to calculate its future pension obligations much more accurately, while at the same time enabling our employees to plan reliably for the future.

Postbank to take over 850 retail outlets

At the start of 2006, Deutsche Postbank AG will take over 850 retail outlets from Deutsche Post AG. This signaled a change of employer for around 9,600 employees, who will now be working directly for Postbank. A reconcilement of interests was agreed with the Group Works Council and a social plan drawn up for this change in operation.

Group signs training pact

Between 2005 and 2007, the Deutsche Post AG Group is offering 2,300 traineeships in Germany each year. This was agreed in a training pact signed by the company and the ver.di trade union. We will also, in principle, take on 30% of the trainees in the years 2007 to 2009. In addition, we will launch a development program for exceptionally high-performing trainees.

Customer-oriented human resources development

In 2005, we brought together all operating units devoted to human resources development and refocused them on the requirements of three customer groups: the Group, corporate divisions and individual demand. One of the features of the new service portfolio is the inclusion of development activities aimed at a specific part of the business. Under the global Fit4Procurement project, for instance, the changes in the procurement organization were accompanied from the outset by targeted staff development processes and activities.

Lowest sickness absence rate in the company's history

For years, we have successfully pursued a policy of preventive health management. In 2005, the sickness absence rate at Deutsche Post AG dropped to 5.3%, the lowest it has been since the company was founded. The certification for occupational safety was renewed, while the areas of industrial medicine and hazardous goods management were successfully certified for the first time. A study by the German business journal Capital investigated the scope and effectiveness of health promotion activities, and how they are integrated into the company's structure. Its findings placed Deutsche Post World Net first in a list of 100 companies.

More than 200,000 employee ideas

Our idea management posted a new record in the year under review: Deutsche Post employees submitted over 200,000 suggestions, up from around 136,000 the previous year. These suggestions have yielded a collective benefit of €86 million. Idea management was also integrated into our German subsidiaries and thirteen European Group companies in 2005.

Evaluating specialist staff and executives

2005 marked the second year of operation for our Group-wide performance management system. This enables us to open up the prospect of international careers within the Group, discover talented individuals and identify successors. The Board of Management and Human Resources Development took part in this year's development conferences, which aimed to assess the potential of executives at levels two to five and to use this information when making deployment decisions.

Recruiting the managers of the future

We want to attract international talent to the Group. This is why we are cooperating with around 30 leading business schools, including Wharton and Yale in the eastern United States, the London Business School and the Indian Institutes of Management in Bangalore and Ahmadabad. The final element of our involvement at this level is the Chair of Logistics at the Chinese-German School of Postgraduate Studies in Shanghai.

AIESEC, the world's largest student organization, named us their "Partner of the Year" for the second year in succession. We offered internships to around 100 students worldwide, and over 60% of the interns accepted an offer of a permanent position in the Group once their internship ended. We are also involved with the European School of Management and Technology in Berlin. This is a business school that was set up by German industry and, as one of the founding members, we use it to attract and develop executives.

We are also treading our own path with the DHL Logistics Management University, which we inaugurated in October 2005 in Shanghai. This is a management training facility that offers 7,500 places a year for employees in junior, middle and senior management positions and has proved especially popular in China. The aim is to turn out world-class logistics specialists who stay with us for the long term. As early as the end of 2006, the university will have trained around 2,000 students in one of 40 programs.

Sustainability

Sustainable business practices are a key part of our corporate strategy and help to ensure our long-term success. Our approach to sustainability focuses on the following factors: the environment, people, society and the success of our business. It influences our system of corporate governance as well as our Group's ethics guidelines.

Our separate Sustainability Report highlights exactly what we do in order to live up to our environmental and social responsibilities. This report will be published for the first time in the first half of 2006 and will combine our environmental, human resources and social reporting. Extensive information about these topics is also available on our website under "Sustainability".

www.dpwn.com

Best German company in the Good Company Ranking

Deutsche Post World Net has received an award for the way in which it fulfills its social responsibilities. In the September 2005 Good Company Ranking drawn up by *Manager Magazin*, a German business publication, we were the highest-ranked German company and took third place overall. The journal ranked 80 European companies on the basis of staff support, social commitment, environmental protection, financial performance and transparency – the first time that this has been done.

Attractive for investors with an eye on sustainability

On September 20, 2005, Deutsche Post was again included in the FTSE4Good Europe sustainability index, one of the best-known indices of its kind. This indicates that we have satisfied certain criteria to which environmentally and socially conscious investors pay considerable attention when making investment decisions.

Strategic partnership with the United Nations

On December 15, 2005, we signed a far-reaching partnership agreement with the United Nations Development Programme (UNDP) and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA). One of the goals of the planned partnership between the UN bodies and Deutsche Post World Net is the swift organization of logistic support when disaster strikes.

One of the ideal areas for cooperation is the coordination of emergency aid logistics at airports in the affected areas. Our first step is to set up a global network of highly trained Disaster Response Teams, which can be deployed quickly to any location worldwide, where their job might be to optimize the management of incoming relief supplies at airports.

In the course of 2005, we were able to demonstrate our professional capability to handle logistics bottlenecks at airports on many occasions: a team of DHL logistics experts was deployed in response to major natural disasters, including the tsunami in South-East Asia, the hurricanes that battered the southeast coast of the United States and the earthquake in the Kashmir region of Pakistan.

Risk Management

Opportunity and risk control forms part of the Group management process

Risk management is an integral part of all Group decisions and business processes. The variety of business activities performed makes it essential that opportunities and risks are systematically identified, evaluated and managed across the entire enterprise. To ensure that this is possible, the opportunities and risk management system is systematically integrated into the existing management and controlling processes. The close intermeshing of the opportunities and risk information with the management and controlling instruments enables the Group to guarantee the regular exchange of opportunities and risk information between strategic and operational control and the management responsible using standardized processes. Risk control uses the Group's financial control structures to manage the information process. It defines standardized Group methods and procedures, ensures that these are adhered to, and coordinates the regular implementation of the risk control process within the Group.

Item 51.1 in the "Notes" section

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). Postbank is integrated into the Group's opportunity and risk control process.

Throughout the Group, risk control follows a clearly defined process whose content and timing have been coordinated with the range of management and financial control instruments deployed. Risks are identified by considering events and developments within the company or its environment that may lead to deviations from the financial plan. Responsibility for each opportunity and risk is assigned to a member of staff who assesses these using scenario modeling, implements appropriate measures to take advantage of opportunities or manage risks, and monitors these with the aid of suitable early-warning indicators. The relevant information is communicated from the corporate divisions to Corporate Controlling on a quarterly basis via the multi-level risk reporting system. Risk reporting to the Board of Management takes into account interactions between individual opportunities and risks. Should new opportunities and risks and significant changes in individual items arise, they are also reported outside the fixed reporting intervals.

The following paragraphs outline those risks that could potentially have a material adverse effect on our net assets, financial position and results of operations. However, these are not necessarily the only risks to which the Group is exposed. Risks of which we are currently unaware or which we do not yet consider to be material could also have an adverse effect on our business activities.

Safeguarding against financial risk

Information on Postbank's risks and financial instruments is provided in item 51.1 in the "Notes" section.

The following details are based on the "Postbank at equity" scenario, as the financial risks of the Deutsche Postbank group differ fundamentally from the risks to the rest of Deutsche Post World Net.

As a result of its operating activities, the Group is exposed to financial risks resulting from changes in exchange rates, commodity and fuel prices, and interest rates. We employ primary and derivative financial instruments to limit these risks. The necessary universe of actions, responsibilities and controls have been established in internal guidelines. Hedging transactions are recorded, assessed and processed using risk management software. The Group only uses prime-rated banks as counterparties for hedging transactions. It constantly monitors counterparty limits and the extent to which these have been utilized. The Group's Board of Management receives regular information on the existing risks and the hedging transactions effected. Financial instruments are accounted for in accordance with IAS 39.

Currency risks arise mainly from the international business of the MAIL, EXPRESS and LOGISTICS Corporate Divisions, a large percentage of which is conducted in foreign-currencies. These risks are managed centrally. All Group companies report their foreign-currency risks to Corporate Treasury, which calculates a consolidated position per currency from these reports. This net position is hedged externally with banks, depending on the risk and market estimates. Recorded currency risks and risks arising from financial transactions are usually hedged in full, and up to 80% of planned currency risks are hedged for a maximum of 18 months. The largest planned net requirements are in US dollars, Czech koruna and Singapore dollars. The Group generates the most substantial net surpluses in pound sterling, Japanese yen, Korean won and Chinese yuan.

Commodity price risks arising in the context of the purchase of kerosene, fuel oil, diesel and petrol are hedged centrally for a period of up to 18 months. As far as is possible, we pass on commodity price increases to customers via surcharges and corresponding contract clauses.

Interest rate risks are actively managed and centrally monitored. We record all substantial interest-bearing receivables and liabilities and then use these to calculate the respective positions for the Group's key currency blocks. Based on this information, primary and derivative financial instruments are used to reduce financing costs and optimally manage interest rate risks by adjusting the ratio of fixed to variable interest agreements.

Further information on existing hedges against currency, interest rate and commodity price risks is provided in item 51.2 in the "Notes" section.

Controlling corporate division risks

The fact that both the Group and its subsidiaries provide some of their services in a regulated market gives rise to further risks.

The MAIL Corporate Division operates within the following regulatory framework in particular: on January 1, 2003, the EU directive on further deregulation of the European postal markets was implemented into German law. As a result, letters and addressed catalogs over 100g and/or three times the standard rate, and outgoing cross-border mail services, were opened up to competition. On January 1, 2006, these ceilings were cut to 50g and two and a half times the standard rate. While the relevant change in the *Postgesetz* (German Postal Act) entails competition risks in Germany, the deregulation of other European mail markets opens up new opportunities.

The *Postgesetz* has allowed exceptions enabling competitors to operate within the weight and price ceilings laid down in our exclusive license since January 1998. As a result, today around 50% of the revenue generated by competitors is being generated within the weight ceilings laid down in this exclusive license. By the end of 2005, the regulatory authority (*Bundesnetzagentur* (Federal Network Agency), formerly the *Regulierungsbehörde für Telekommunikation und Post* (Regulatory Authority for Telecommunications and Posts)) had issued licenses to around 2,000 competitors, of which approximately 900 were active in the marketplace.

In 2002, the regulatory authority specified the conditions which will apply until 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. Prices have to be lowered if the inflation rate in the reference period is less than the specified productivity growth rate. We therefore had to lower the prices of some mail products requiring approval as of January 1, 2006 due to the low inflation rate in the 2004 reference period.

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. As we reported last year, the UK Royal Mail terminated this agreement as of December 31, 2004. We are in negotiations with the company about an appropriate basis for terminal dues.

At the beginning of July 2004, the European Commission published a revised directive proposal for a change in the current VAT exemption for postal universal services. In order to take effect, this proposal would have to be unanimously accepted by the member states. According to the latest information, this is not expected to be the case. Some member states, 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 2008. If a tax increase were to be implemented, the resulting risk would be cushioned by price increases. According to the regulatory authority, the prices it has approved do not include VAT. Rather, they are net prices, which means that the VAT could be added to the approved prices.

We will face far-reaching changes in the course of the deregulation of the mail market. As the law now stands, the mail monopoly in Germany will be abolished as of January 1, 2008. The MAIL Corporate Division has prepared itself for increased competition and potential loss of market share by fully modernizing its logistics and realigning products and services. We have also established a foothold in major international mail markets such as the USA, the UK, the Netherlands and France.

We successfully expanded the EXPRESS Corporate Division and continued to reinforce its presence on all continents. The ability to link standardized and globally networked business processes with the regional requirements and needs of the customers has been a key factor in our success. We are continuing to expand our infrastructure in order to further improve the quality of our services and at the same time leverage cost and earnings potential. However, complex integration projects can sometimes result in temporary restrictions in quality and thus to declines in revenue and earnings.

In the highly-competitive US market, our goal remains to differentiate ourselves from our competitors by providing high-quality and flexible services. We are optimizing products and costs and at the same time investing in transport networks, which provide the basis for successful development of express business in the United States. In 2003, we acquired Airborne Inc., which we have gradually integrated into the Group since then. The start of operations of the air hub in Wilmington (Ohio) in September 2005 marked the completion of the final major step in DHL's integration process on the US market. As can be seen on page 53, this process resulted in temporary declines in service quality and revenue. However, we restored service quality levels after only a short delay. We are assuming that our financial targets for the United States will not be negatively impacted in the long term as a result of the above.

A routine citizenship test for US air carrier ABX Air Inc. ist still pending at the Department of Transportation (DOT) in accordance with statutes. ABX Air Inc. is an independent company that provides transportation services for DHL. The outcome and procedure of this test are still open, even though there are certain similarities to the citizenship test of Astar Air Cargo Inc. in 2003 and 2004, which the DOT decided positively.

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.

In Asia, our aim remains to maintain or extend our leading market position and profit from the expected development of key markets. However, should there be an unexpected slowdown or overheating of markets, this could impact our revenue forecasts.

The threat of terrorist attacks could also have negative effects on our business, primarily on our air-based express operations. Higher insurance premiums could not be excluded in such an eventuality.

Material opportunities and risks in the LOGISTICS Corporate Division are linked to the integration of logistics company Exel plc. Its geographical presence in the UK, the USA and Asia complements our presence in continental Europe perfectly. As a result of the move we are strengthening our leading position in the air and ocean freight markets while also gaining expertise in contract logistics. As things stand at the present time, we do not expect any particular integration risks.

Last year, we started to restructure the retail outlet business in the FINANCIAL SERVICES Corporate Division. In a further step, Postbank will take over 850 retail outlets from Deutsche Post. These are mostly Postbank Centers, where Postbank is currently generating more than 80% of its new business from the outlet network.

The signing of a purchase agreement for the acquisition of 76.4% of shares in BHW Holding allowed Postbank to expand its product portfolio and customer base. Its aim is to further enhance its own sales strength. Postbank is already Germany's leading retail bank. The purchase agreement also ensures that Postbank does not acquire any risks associated with Allgemeine Hypothekenbank Rheinboden AG. Higher financial costs are planned in 2006 and 2007 for BHW's integration into Deutsche Postbank AG. Integration is currently expected to proceed rapidly and smoothly.

Postbank's extensive experience in monitoring and managing its risks limits the danger of sudden fluctuations in earnings. The banking business is exposed to risks arising from changes in market prices, possible loan defaults and operational risks. Postbank's risk limit system is monitored on a regular basis, as well as being systematically enhanced with an eye towards the Basel II capital adequacy requirements that apply as of January 1, 2007.

Legal risks from pending legal proceedings

Due to our market leadership position, a large number of the services we offer are subject to sector-specific regulation in accordance with the *Postgesetz*. The regulation framework implemented by the regulatory authorities covers in particular price review and approval procedures, the formulation of terms of downstream access and general checks for market abuse. The resulting proceedings may lead to a decline in revenue and earnings.

Legal risks arise, for example, from the appeals pending before the administrative courts against the regulatory authority's July 2002 ruling concerning the conditions for the price-cap procedure, as well as from two appeals respectively against price approvals granted under the price-cap procedure for the years 2003, 2004 and 2005.

European Commission competition proceedings 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). In these proceedings, we have presented 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. Proceedings are pending before the administrative or civil courts and the Court of First Instance of the European Communities against the relevant rulings by the regulatory authority, the *Bundeskartellamt* (German Federal Anti-trust Authority) and the European Commission. Depending on the outcome of the proceedings, we could be faced with further losses of revenue and earnings. We would like to highlight the following cases:

In a ruling on October 20, 2004 relating to downstream access to Deutsche Post's network by mail consolidators, the European Commission found against the Federal Republic of Germany, ruling that the relevant provisions of the *Postgesetz* are not consistent with EU law. The Federal Republic of Germany was obliged to inform the European Commission within two months of the measures it had taken to satisfy EU law. In December 2004, it appealed against the European Commission's ruling.

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 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 rulings by the European Commission and the *Bundeskartellamt*. Until a decision is reached in these proceedings, we are obliged to allow consolidators downstream access. The conditions of access are, in turn, the subject of regulatory authority decisions, as well as of appeals against these decisions and civil cases. If the rulings by the European Commission, the *Bundeskartellamt* or the regulation authorities result in an obligation to grant mail consolidators downstream access to our network, this could lead to double to three-digit million revenue losses per year.

An allegation by the *Monopolkommission* (German Monopoly Commission) is the subject of requests for information made by the European Commission to the German federal government in response to a complaint by a third party. 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. In our opinion, the fee paid by Postbank complies with the provisions on competition and state aid stipulated in European law.

The European Commission is also asking the Federal Republic of Germany to comment on the sale of its entire interest in Deutsche Postbank AG to Deutsche Post AG in 1999. However, the European Commission has already investigated the acquisition of Postbank 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 federal government has already argued before the European Commission that the allegations are unfounded in its opinion. Nevertheless, no assurance can be given with regard to the two allegations relating to the requests for information 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 statements 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 reports, 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. Furthermore, the European Commission has already 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.

Avoiding or limiting infrastructure risks

Expanding our Group worldwide means an increase in the demands on the infrastructure we require to operate the business. We attempt to avoid business interruptions at key operational locations by monitoring our complex conveyor and sorting systems. If damage were nonetheless to occur, our numerous precautions as well as emergency and contingency plans would provide effective tools with which to reduce the financial effects of any potential interruption to business.

We have concentrated our information technology at centrally located data centers in all time zones around the world, thereby creating a high-performance infrastructure and improving our IT-supported business processes. As a result, however, we have become more susceptible to business interruptions, which can be caused by natural disasters or human error. A dedicated IT risk management system is in operation in the data centers with a view to avoiding such interruptions. This allows us to guard against failures and to reduce the impact in the event of an interruption.

We intend to maintain and further extend our position in the highly-competitive express market. To do this we will require efficient transport networks that provide the capacity required to meet the exacting demands of our customers in respect of posting and delivery times. The area in which our network architecture contributes the most added value is in the use of combined air and ground transport. Central air hubs play a key role. We will construct a new air hub for the European air express network in Leipzig to run alongside the air hubs in Hong Kong and Wilmington. The start of operations is planned for 2008.

Additional risks

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

The Group's insurance strategy provides two alternatives. Risks with a high probability of occurrence and low loss amount are insured via a captive – an insurance company belonging to the Group. This is designed to allow us to lower our insurance costs. Risks with a low probability of occurrence but that could entail high losses, such as air transportation risks, are handled by external insurance companies.

As a service provider, we do not conduct research and development in the narrower sense. There are therefore no material risks to report in this area.

The volume of our 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.

Further Developments and Outlook

Events after the close of the fiscal year

Acquisition of BHW makes Postbank Germany's leading retail bank

On January 2, 2006, our Group subsidiary Deutsche Postbank AG acquired all the shares in BHW Holding AG held by Beteiligungsgesellschaft der Gewerkschaften AG (BGAG) and Deutscher Beamtenwirtschaftsbund (BWB), and now controls over 90% of the company. As required by law, a mandatory offer has been made to the remaining shareholders. The acquisition of BHW Holding makes Postbank the leading provider of financial services to retail customers in Germany.

Sale of McPaper completed

As we announced in December 2004, Deutsche Post has sold all of its shares in McPaper AG, Berlin, with effect from January 1, 2006. This move will not result in any job cuts at McPaper AG. Nor will the sale affect our network of retail outlets, which will continue to offer a range of paper, office and stationery products.

Acquisition of Czech express supplier PPL

Our customers are making increasing inroads into Eastern European markets. We are therefore obliged to follow suit by adding national express services in Central and Eastern Europe to our international product range. This was why DHL acquired the Czech express supplier PPL on December 21, 2005. The transaction is to be completed in the first quarter of 2006.

Deutsche Post acquires Williams Lea

On February 13, 2006, we publicly announced that Deutsche Post World Net intends to acquire a majority interest in the UK company Williams Lea. The London-based company is an international 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. Williams Lea is the best-placed company in these markets in the UK and Europe. In recent years it has also intensified its international activities, above all in the United States. By making this acquisition, we are expanding the presence of our DHL Global Mail brand in national markets outside Germany and widening our range of global mail services. It is still subject to the approval of the relevant antitrust authorities – a standard procedure. The transaction is expected to be concluded in March 2006.

Future conditions

Global economy will remain robust

The following statements take into account the forecasts published by leading economic research institutes and international organizations such as the IMF and the OECD. According to these forecasts, in 2006 global gross domestic product should grow at a similar rate as in 2005, although world trade should increase faster. Growth forecasts are generally between 7.5% and 9%.

The economy in the United States remains on a firm footing, with GDP growth of 3.25% forecast for 2006.

In Japan, domestic demand is expected to sustain economic growth as before. An increase in exports is also anticipated, and GDP should therefore grow by 2.9% in 2006. GDP growth in China is only expected to be slightly weaker than in 2005. Exports will once again provide a powerful stimulus.

In the euro zone, the economy is expected to pick up in 2006. Foreign trade is expected to generate a positive impetus. Global demand is strong and the weaker euro is creating additional opportunities. The level of interest rates remains very low and unemployment is expected to fall slightly. This could also stimulate private consumption. Overall, GDP growth of 1.9% is predicted for 2006.

In Germany, too, there is the prospect of a revival in private consumption. The increase in VAT from 16% to 19% in 2007 should also contribute to this. Experience suggests that purchases of long-life goods will be brought forward. GDP growth is forecast to be 1.8%.

The crude oil market remains prone to sharp price fluctuations. Most oil-extracting countries are producing at the limits of their capacity, which makes it difficult to cover unexpected production losses in the short term. In 2006, average oil prices are expected to remain at the high levels witnessed the previous year.

The US Federal Reserve has already raised its key rates so far that its monetary policy can no longer be regarded as expansionary. The ECB is also expected to implement increases in the key rate, though only moderately. Capital market interest rates are therefore expected to remain low, and perhaps even fall in the United States.

From this perspective, the environment for equities will remain favorable. Nevertheless, temporary downturns on the stock markets cannot be ruled out as a result of a probable economic downturn during the course of the year.

Further deregulation of the European mail market

The weight limit for the deregulation of the postal market for letters was lowered to 50g as of January 1, 2006. This will hardly affect our market share, particularly as our competitors are already operating primarily in the area covered by our existing exclusive license. Competition will increase further with the full deregulation of the national mail market from 2008. We expect our existing rivals to continue to extend their market position in terms of both their presence and the volumes they carry.

Deregulation is progressing in the European mail market, albeit at differing paces. The EU has made clear signals in this area about continuing to open up the market. We welcome this development and are hard at work preparing for further deregulation so that we can systematically exploit opportunities to enter and develop new markets.

The number of security regulations and programs for ocean transport and air freight is expected to increase. For example, the European Union has adopted Regulation 2320/2002 relating to civil aviation security together with the associated implementing Regulation 622/2003. As the implementation of these regulations may vary, we could be confronted with 25 different laws and detailed regulations. Our company is prepared for this and can profit from its experiences of current programs.

Future business

Leveraging market opportunities in mail business

Future demand for mail in Germany is essentially dependent on how the macroeconomic situation develops and to what extent alternative electronic media are used. We expect a further decline in the market for mail communication in the coming years. We will also lose market share as a result of the deregulation of the market and increased competition.

The German advertising market will continue to grow and the trend towards target group-oriented advertising will persist. Despite the continuing liberalization of the market for paper-based advertising, we intend to consolidate our position and even to develop it further in the advertising market as a whole. We therefore want to position ourselves as an integrated provider of cross-media services in the area of direct marketing.

The slight downwards trend in the press distribution market is expected to persist. Here too, our intention is to maintain and perhaps even to increase our share of the market. In this context, we attach great importance to the growing subscriptions segment. We are therefore expanding our reader service and improving its quality, for example with new procedures for correcting addresses.

We expect to see continued volume growth in the market for international mail. Further deregulation of foreign mail markets will open up new opportunities and will positively impact our development. We will persist in our strategy of positioning ourselves in all important markets, while increasingly focusing on value-added services in the mail business.

We will continue to optimize our transport network in 2006: we will reduce our overnight airmail network by two flights. In conurbations and adjoining densly populated areas, which are characterized by a high proportion of business customers and considerable fluctuations in daily volumes, the operating concept for standard mail delivery is being refined in order to optimize costs and quality. To achieve this, a procedure has been developed which has been undergoing testing since the start of 2006 in around 100 delivery districts and, if successful, will be extended. We have already laid the foundations for replacing the hand scanners that are used in the 30,000 or more joint delivery districts. This will allow us to support future requirements through the flexible use of technology.

Sharing in the growth of the express market

The international CEP market in Europe is expected to grow by an average of 4-6% per year. Additional volumes are anticipated mainly in intercontinental business to and from Asia and the emerging markets. We are well placed to exploit this growth and to continue to achieve good prices. We will also improve our range of services, for example by extending delivery before 12 noon in Europe and introducing it for shipments to and from Asia. In addition, we will continue to review and adjust the price-performance ratio of our products in the future. Business in the domestic markets is expected to grow more slowly than cross-border activities. In some countries, including Germany, new players are also expected to enter the parcel market.

We are working to improve the coordination of our operating processes still further, with the customer benefiting from the advantages of an integrated service. By the end of 2007, our customer network in Europe should reach around 20,000 contact points. A significant proportion will be the service points, which are located in supermarkets, train stations, and retail chains. These already allow shipments to be posted and collected in seven European countries. In the coming year, we want to install Packstations in more than 30 additional cities in Germany, thereby extending the network to over 120 cities in total.

In the United States, we aim to become more competitive and further improve our services. We want our customers to perceive us as the friendliest, most accessible, and particularly accommodating carrier on the market. To achieve this we will provide user-friendly technology. We want to increase earnings by placing greater emphasis on international and ad hoc customers, while at the same time retaining our existing customers. We want to expand our domestic product range.

We intend to develop additional express products in Asia and, as the first international express service provider on China's and India's domestic markets, we want to make further investments and grow quickly. DHL aims to become the employer of choice in the region.

In the emerging markets, we will gradually expand our product offering and further develop our sales activities to reflect the needs in the respective countries.

Assuming market lead in logistics

There will be a shift in the competitive dynamics of the logistics market due to the mergers that have already taken place. We expect that market consolidation will continue and that ultimately only a handful of global providers will remain. The consolidation process among freight carriers is expected to continue.

The acquisition of Exel has substantially broadened the scope of the LOGISTICS Corporate Division. We expect to have reached the most important integration stages by 2007. In future, we can offer more products with a greater geographic range. We will merge the two headquarters, institute joint procurement and consolidate the infrastructures of the two companies. The resulting cost savings should amount to around €220 million before taxes in 2008.

The ever-closer international integration of the procurement and sales markets will result in an increase in transportation volumes, especially in intercontinental traffic. We aim to increase our market share of those routes that link Europe and the United States with Asia, and above all with China. Average market growth of around 6-7% is forecast for air and ocean freight in the coming years. The highest growth rates continue to be expected from shipments sent from Asia to other regions as well as within the Asia Pacific region. We will increase our efficiency in air and ocean freight by grouping volumes and bundling freight to best effect. In air freight, we also intend to make greater use of DHL's own freight capacities.

In contract logistics, customers expect tailored end-to-end solutions that bring them added value and go beyond the mere performance of logistics processes at low unit costs. In addition, providers with country-specific knowledge will be successful – which is why in this area of business we are focusing on industries and countries with a continuing trend towards outsourcing logistics services. The acquisition of Exel allows us to tap into geographic markets for contract logistics where we have so far been underrepresented. In future, we will increasingly be offering one-stop logistics services in the United Kingdom, the United States and Asia. This is an ideal complement to our strong presence on the European mainland.

Postbank improves strong market position

In 2006, we only anticipate a moderate economic upturn, which we believe will make it difficult for German banks to further improve their earnings significantly. The number of consumer insolvencies will increase further in the coming years, while a long-term improvement in the operating results of small and medium-sized companies will require a more substantial recovery in the domestic economy.

The acquisition of BHW represents another major step toward Postbank's goal of establishing itself as the leading bank for retail customers in Germany. In future, Postbank will serve over 14.5 million customers in its home market – more than any other bank. It will be able to more than double its volume of private real estate financing and will also become the market leader in this segment. Postbank also plans to further increase its business from high-margin consumer loans and from products with a high consulting and advisory content, in order to position itself as an expert in the growth area of retirement provision.

The performance of its sales network will be boosted by the acquisition of 850 retail outlets and the addition of BHW's 4,200 mobile financial advisors. Together with the 460 mobile advisors at Postbank Vermögensberatung, BHW's cooperation partners and the direct sales channels via DSL agents, Postbank will continue to build on its leading position, aided by online and telephone banking.

Expected business development

The Group

Based on the economic growth forecasts, we anticipate that overall business development in 2006 will be positive. For the current fiscal year we are planning to generate consolidated revenue of at least €60 billion.

We are expecting the Group's profit from operating activities (EBIT) to total at least €3.7 billion in 2006.

MAIL

In the MAIL Corporate Division we expect that revenues will continue to decline in the national mail market. However, these can be more than offset by growth in international value-added services. The acquisition of Williams Lea will play an important part in this. All in all, we therefore anticipate that revenue will remain stable or will rise slightly in the current fiscal year.

EXPRESS

In the EXPRESS Corporate Division, we are expecting at least single-digit revenue growth in 2006. We will continue to integrate our networks and set up a unique platform in the Europe region, thereby laying the foundation for further business expansion.

LOGISTICS

In the LOGISTICS Corporate Division, enlarged by the acquisition of Exel, we expect revenue to exceed €18 billion by some margin in the current fiscal year. The Board of Management is very confident that it can integrate Exel successfully in the coming years and maintain the positive trend in the logistics business.

FINANCIAL SERVICES

In the FINANCIAL SERVICES Corporate Division, income is expected to rise, boosted by the addition of BHW.

Dividend

We plan to continue our current dividend policy and to share our good business development with our shareholders.

Further development of the Group

Future organization

Our main focus in the coming year will be on integrating the business activities of the LOGISTICS Corporate Division. This will lead to some reorganization – above all the creation of a LOGISTICS Board Department; this has been managed by John Allan since January 1, 2006.

In return, the services units will be bundled in the Global Business Services Board Department, for which Frank Appel will have responsibility; this will result in the reallocation of functions from other board departments. The end result will be to remove service functions from the business responsibility of the corporate divisions and bundle them across all levels and countries. The same approach will be used for the corresponding controlling functions, which will be consolidated in the Controlling Global Business Services Department.

Future procurement activities

The integration of Exel will have a positive effect on our procurement activities. Our intention is therefore to combine the two organizations as quickly as possible in order to achieve corresponding cost synergies in purchasing. In addition, we aim to continue with the standardization of our procurement processes and the development of the systems technology for recording them.

We are also boosting the skills level of our staff: under our "Fit4Procurement" program, each employee undergoes an expertise analysis that forms the basis for individual training and development programs.

Future research and development

No disclosures are made in respect of this area, as Deutsche Post World Net, as a pure service provider, does not perform any research and development activities.

Strategic opportunities

We have made excellent preparations for increasing mail competition. In addition to our high quality standard and our highly efficient network with state-of-the-art mail centers, we will establish ourselves as a provider of solutions and value-added services for our customers and continue to internationalize our business. We intend to strengthen our presence above all in Europe, North America and Asia – depending in each case on the regulatory environment in the national postal markets.

We are integrating and modernizing our transport networks for the express market. This results in economies of scale and higher-quality services at lower costs. In 2005, we introduced additional measures to strengthen the business in the United States. The construction of a new European hub in Leipzig, where operations are to commence in 2008, is expected to bring a further improvement in the global infrastructure.

In logistics, we are now the market leader in the intercontinental freight business and in contract logistics, following the acquisition of Exel. We would like to keep this leadership position: more than ever, we will be able to offer our customers tailored, one-stop logistics solutions and also to attract top people in our industry as a desirable employer.

As a result of the acquisition of a majority holding in BHW, Postbank is now the leading provider of finance for owner-occupied residential property in Germany. Postbank is outstandingly well placed to achieve further growth in the retail investment funds and life insurance segments. Our objective will be to consolidate and further develop this excellent market position. Postbank is also strengthening its sales capacity with the acquisition of 850 retail outlets from Deutsche Post AG.

There are substantial opportunities for our future development, not just for the individual corporate divisions but for the Group as a whole, arising above all from the optimal organization of the structure and workflows of the Services Department.

In information technology, we are endeavoring to optimize the infrastructure, improve work processes and further reduce costs whilst maintaining our high quality standards.

Acting in an entrepreneurial way

Entrepreneurial conduct constitutes the spirit of our Group. We demand and promote individual responsibility. Excellent people are the key to our success. We welcome motivated and loyal employees who strive for top performance. It is one of our core tasks to attract, develop and retain such employees in the long term. We recognize and reward individual performance and economic success.

Postbank expands product base
In January 2006, Deutsche Postbank AG will acquire a majority interest in specialist financial services provider BHW Holding AG. Together, the two companies will lead the market in home financing, savings, home loans and demand deposits.

One billion parcels
We have been working with the mail-order company Quelle for the past 78 years. Every day we deliver around 100,000 consignments for Quelle and 2005 saw the dispatch of the one-billionth parcel.

DHL inaugurates own management training facility
The aim of the new Logistics Management University in Shanghai is to turn out specialists in the growth region of Asia who stay with us for the long term.

Income Statement		2004	2005
for the period January 1 to December 31		restated	
€m	Note		
Revenue and income from banking transactions	10	43,168	44,594
Other operating income	11	1,365	3,685
Total operating income		**44,533**	**48,279**
Materials expense and expenses from banking transactions[1]	12	–21,915	–23,869
Staff costs[1]	13	–13,840	–14,337
Depreciation, amortization and impairment losses[1]	14	–1,821	–1,911
Other operating expenses[1]	15	–3,956	–4,407
Total operating expenses		**–41,532**	**–44,524**
Profit from operating activities (EBIT)		**3,001**	**3,755**
Net income from associates	16	4	71
Net other finance costs	17	–825	–773
Net finance costs		**–821**	**–702**
Profit from ordinary activities		**2,180**	**3,053**
Income tax expense[1]	18	–440	–605
Consolidated net profit for the year	19	**1,740**	**2,448**
attributable to			
Deutsche Post AG shareholders[1]		1,598	2,235
Minorities[1]	20	142	213
€			
Basic earnings per share	21	**1.44**	**1.99**
Diluted earnings per share	21	**1.44**	**1.99**

1) Prior-period amounts restated; see note 5.

Balance Sheet as of December 31 €m	Note	2004 restated	2005
ASSETS			
Intangible assets	23	6,846	12,749
Property, plant and equipment [1]	24	8,169	9,505
Investments in associates	25	82	78
Other noncurrent financial assets	25	661	776
Investment property [1]	25	270	107
Noncurrent financial assets		**1,013**	**961**
Other noncurrent assets	26	235	373
Deferred tax assets	27	764	883
Noncurrent assets		**17,027**	**24,471**
Inventories	28	227	282
Noncurrent assets and disposal groups held for sale	29	0	28
Current tax receivables	30	630	576
Receivables and other assets [1]	31	5,566	8,204
Receivables and other securities from financial services [1]	32	124,914	136,213
Financial instruments	33	187	35
Cash and cash equivalents	34	4,845	2,084
Current assets		**136,369**	**147,422**
Total assets		**153,396**	**171,893**
EQUITY AND LIABILITIES			
Issued capital	35	1,113	1,193
Other reserves [1]	36	466	2,062
Retained earnings [1]	37	5,663	7,452
Equity attributable to Deutsche Post AG shareholders	38	7,242	10,707
Minority interest [1]	39	1,623	1,833
Equity		**8,865**	**12,540**
Provisions for pensions and other employee benefits	40	5,882	5,780
Deferred tax liabilities [1]	41	929	1,080
Other noncurrent provisions	42	3,246	2,361
Noncurrent provisions		**10,057**	**9,221**
Financial liabilities	43	4,503	4,811
Other noncurrent liabilities	44	2,989	3,989
Noncurrent liabilities		**7,492**	**8,800**
Noncurrent provisions and liabilities		**17,549**	**18,021**
Current tax provisions	45	665	625
Other current provisions	42	1,719	1,825
Current provisions		**2,384**	**2,450**
Financial liabilities	43	737	855
Trade payables	46	3,285	4,952
Liabilities from financial services	47	117,026	128,568
Current tax liabilities	48	585	655
Liabilities included in disposal groups classified as held for sale	49	0	20
Other current liabilities	44	2,965	3,832
Current liabilities		**124,598**	**138,882**
Current provisions and liabilities		**126,982**	**141,332**
Total equity and liabilities		**153,396**	**171,893**

1) Prior-period amounts restated; see note 5.

Cash Flow Statement for the period January 1 to December 31 €m	Note	2004 restated	2005
Net profit before taxes[1]		**2,180**	**3,053**
Net finance cost		853	702
Depreciation/amortization of noncurrent assets		1,821	1,911
Gains on disposal of noncurrent assets		–26	–168
Non-cash income and expense		426	280
Change in provisions		–1,276	–2,531
Taxes paid		–76	–313
Net cash from operating activities before changes in working capital		**3,902**	**2,934**
Changes in working capital			
Inventories		–9	17
Receivables and other assets[1]		–735	–503
Receivables/liabilities from financial services		–2,550	221
Liabilities and other items		1,728	896
Net cash from operating activities	50.1	**2,336**	**3,565**
Proceeds from disposal of noncurrent assets			
Divestitures		1,535	156
Other noncurrent assets		503	605
		2,038	**761**
Cash paid to acquire noncurrent assets			
Investments in companies		–793	–4,135
Other noncurrent assets		–1,743	–2,041
		–2,536	**–6,176**
Interest received		225	210
Current financial instruments		–112	153
Net cash used in investing activities	50.2	**–385**	**–5,052**
Change in financial liabilities		440	–302
Dividend paid to Deutsche Post AG shareholders		–490	–556
Dividend paid to other shareholders		0	–76
Issuance of shares under stock option plan		0	65
Interest paid		–443	–360
Net cash used in financing activities	50.3	**–493**	**–1,229**
Net change in cash and cash equivalents		1,458	–2,716
Effect of changes in exchange rates on cash and cash equivalents		–14	–45
Change in cash and cash equivalents due to changes in consolidated group		46	0
Cash and cash equivalents at January 1		3,355	4,845
Cash and cash equivalents at December 31	50.4	**4,845**	**2,084**

1) Prior-period amounts restated; see note 5.

Statement of Changes in Equity

for the period January 1 to December 31

€m	Issued capital	Other reserves: Capital reserves	Other reserves: IAS 39 reserves	Retained earnings	Equity attributable to Deutsche Post AG share-holders	Minority interest	Total equity
Note	35	36	36	37	38	39	
Balance at January 1, 2004 before adjustment	1,113	377	–308	4,924	6,106	59	6,165
Adjustments	0	0	301	–377	–76	0	–76
Balance at January 1, 2004 after adjustment	**1,113**	**377**	**–7**	**4,547**	**6,030**	**59**	**6,089**
Capital transactions with owner							
Capital contribution from retained earnings							
Dividend				–490	–490	–37	–527
Other changes in equity not recognized in income							
Currency translation differences				28	28	–52	–24
Other changes			65	–20	45	1,511	1,556
Changes in equity recognized in income							
Consolidated net profit				1,598	1,598	142	1,740
Stock option plans		31			31		31
Balance at December 31, 2004 after adjustment	**1,113**	**408**	**58**	**5,663**	**7,242**	**1,623**	**8,865**
Balance at January 1, 2005 before adjustment	1,113	408	–343	6,039	7,217	1,611	8,828
Adjustments	0	0	401	–376	25	12	37
Balance at January 1, 2005 after adjustment[1)]	**1,113**	**408**	**58**	**5,663**	**7,242**	**1,623**	**8,865**
Capital transactions with owner							
Issue of stock – Exel acquisition	75	1,389			1,464		1,464
Dividend				–556	–556	–76	–632
Other changes in equity not recognized in income							
Currency translation differences				108	108	24	132
Other changes	5	60	111	2	178	49	227
Changes in equity recognized in income							
Consolidated net profit				2,235	2,235	213	2,448
Stock option plans		36			36		36
Balance at December 31, 2005	**1,193**	**1,893**	**169**	**7,452**	**10,707**	**1,833**	**12,540**

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 Financial Statements of Deutsche Post AG for the Period Ended December 31, 2005

1 Basis of accounting

As a listed company, Deutsche Post AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) required to be applied in the EU and the commercial law provisions to be applied in addition in accordance with section 315 a (1) of the HGB (*Handelsgesetzbuch* – German Commercial Code).

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 consolidated financial statements consist of the income statement, balance sheet, statement of changes in equity, cash flow statement, as well as the notes.

The accounting policies, as well as the explanations and disclosures in the notes to the IFRS consolidated financial statements for fiscal year 2005, are generally based on the same accounting policies used in the 2004 consolidated financial statements. Exceptions to this are the revised and new accounting standards that have been required to be applied since January 1, 2005. In cases where these amendments were relevant for the Group or led to changes in prior-period amounts, further details can be found in note 5 "New developments in international accounting under IFRSs and the restatement of prior-period amounts" below. The accounting policies are explained in note 7.

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 (€). Unless otherwise stated, 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 IFRSs, goodwill resulting from the acquisition of subsidiaries to be consolidated must be recognized. Goodwill from acquisitions is not amortized, but instead tested annually for impairment (for further details, see also note 5 "New developments in international accounting under IFRSs and the restatement of prior-period amounts").
- 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% 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 from temporary differences 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, 2005 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	2004	2005		
	Total	German	Foreign	Total
Number of fully consolidated companies (subsidiaries)				
at January 1	683	120	536	656
Additions	15	6	31[1]	37
Disposals	55	36	47	83
Change in method of consolidation	13	11	1	12
at December 31	656	101	521	622
Number of proportionately consolidated joint ventures				
at January 1	8	2	6	8
Additions	0	0	2	2
Disposals	0	0	0	0
Change in method of consolidation	0	0	–5	–5
at December 31	8	2	3	5
Number of companies accounted for at equity (associates)				
at January 1	40	5	35	40
Additions	1	0	2	2
Disposals	2	1	4	5
Change in method of consolidation	1	0	–4	–4
at December 31	40	4	29	33

1) Addition of Exel as a group

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 2005:

Companies consolidated for the first time	Equity interest %	Date of acquisition accounting/first-time consolidation	Notes
MAIL			
Koba S.A., Chilly Marazin, France (Koba)	100.00	Jan. 1, 2005	Purchased
MailMerge Nederland B.V., Zaanstadt, Netherlands (MailMerge)	70.00	Oct. 12, 2005	Equity interest increased and method of consolidation changed
EXPRESS			
Express Couriers Ltd., New Zealand (Express Couriers)	50.00	Jan. 1, 2005	Purchased
Blue Dart Express Ltd., Mumbai, India (Blue Dart)	81.03	March 11, 2005	Purchased
DHL (Cyprus) Ltd., Cyprus (DHL Cyprus)	100.0	April 20, 2005	Equity interest increased and method of consolidation changed
DHL Korea Ltd., Korea (DHL Korea)	95.00	Dec. 8, 2005	Equity interest increased
LOGISTICS			
DHL Logistics de El Salvador, S.A. de Costa Rica (DHL Costa Rica)	100.0	May 30, 2005	Purchased
GPL Ges. f. Privatkundenlogistik mbH & Co. KG, Hamburg, Germany (GPL)	100.0	June 8, 2005	Purchased
Exel plc, Bracknell, United Kingdom (Exel)	100.0	Dec. 31, 2005	Purchased

MAIL

Koba

In January 2005, Deutsche Post Beteiligungen Holding GmbH, Germany, acquired around 94% of the shares in the French mail service provider Koba S.A. (Koba), Paris, followed by the remaining 6% in December. 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. The purchase price amounted to €4 million. Initial consolidation resulted in goodwill of €8 million. In fiscal year 2005, Koba contributed €52 million to revenue and €–3 million to the consolidated net profit for the year (reported data).

MailMerge

On October 12, 2005, Deutsche Post World Net increased its 20% interest in the Dutch company MailMerge Nederland B.V. to 70% for a purchase price of €2 million. MailMerge offers its customers end-to-end solutions for business mail and is the largest specialist provider of delivery services to the P.O. boxes of the Dutch postal service. The consolidation resulted in goodwill of €1 million.

EXPRESS

Blue Dart

At the beginning of 2005, Deutsche Post World Net acquired a majority interest of 81% 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 €121 million.

Net assets acquired and goodwill	
€m	
Total purchase price	121
Less fair value of net assets acquired	36
Goodwill	85

The following assets and liabilities were acquired as part of the acquisition:

Assets and liabilities		
€m	Fair value	Carrying amount recognized by Blue Dart
Property, plant and equipment	30	30
Intangible assets	18	1
Financial assets	3	2
Net working capital including deferred costs	12	12
Financial liabilities	–13	–13
Deferred taxes	–6	–3
Net assets	**44**	**29**
Minority interest	–8	
Net assets acquired	**36**	

In fiscal year 2005, Blue Dart contributed €77 million to the Group's revenue and €8 million to its net profit (reported data).

DHL Cyprus

The EXPRESS Corporate Division also increased its interest in DHL (Cyprus) Ltd., Cyprus, to 100% at the beginning of April. The purchase price amounted to €4 million. The consolidation resulted in goodwill of €3 million.

DHL Korea

In December 2005, Deutsche Post World Net acquired a further 45% of the shares in DHL Korea Ltd., Korea (DHL Korea). The purchase price amounted to €55 million. Goodwill increased to €64 million.

Express Couriers

In January 2005, Deutsche Post World Net acquired a 50% interest in the joint venture Express Couriers, New Zealand, for a purchase price of €27 million plus €1 million in subsequent acquisition costs. Goodwill amounted to €42 million.

LOGISTICS

Exel

On December 13, 2005, Deutsche Post World Net acquired a 100% interest in Exel plc, Bracknell, UK (Exel). Exel is an international logistics company that is primarily active in air and ocean freight, as well as in contract logistics.

The purchase price was 900 pence in cash and 0.25427 Deutsche Post AG shares per Exel share. The assessment basis used was the weighted average price on the closing date, December 13, of €19.47 for one Deutsche Post AG share. As a result, the purchase price of 100% of the shares acquired in Exel (295,763,450) was €5.4 billion. In addition, €205 million in stock options was paid to Exel's employees. Incidental expenses accounted for a further €4 million. €1.4 billion of the purchase price relates to 75,203,772 no-par value shares originating from the capital increase.

Exel was included in the consolidated financial statements as of December 31, 2005 at the following adjusted IFRS carrying amounts of the Exel group:

Carrying amounts	
€m	
Intangible assets	213
Property, plant and equipment	981
Financial assets	30
Other noncurrent assets	173
Inventories	64
Receivables and other assets	2,061
Cash and cash equivalents	219
Trade payables and other liabilities	–2,381
Provisions	–429
Provision for pensions	–344
Financial liabilities	–451
Deferred taxes – net	40
Net assets	**176**
Minority interest	–25
Net assets acquired	**151**

Purchase price allocation from this acquisition is currently being determined. The provisional goodwill that results from the difference between the purchase price and the adjusted carrying amounts of the assets and liabilities acquired amounts to €5,459 million and is reported under intangible assets.

In addition to goodwill, the final purchase price allocation based on the fair value of assets and liabilities is expected to include other significant intangible assets such as customer relationships and brands. The following table shows how the provisional goodwill is determined:

Purchase price	
€m	
Purchase price	
Advance payment – cash	3,768
Stock options/Exel employees	205
Share swap	1,464
Promissory note loan issued to shareholders	169
Transaction costs	4
Total purchase price	5,610
Less provisional carrying amount of net assets	151
Provisional goodwill	5,459

If Exel had been acquired on January 1, 2005, it would have contributed €11,456 million to consolidated revenue, €312 million to EBIT and €273 million to the consolidated net profit for the year[1)].

1) The unaudited pro forma information is for comparison purposes only and does not necessarily represent the results that would have arisen if the transaction had actually taken place as of January 1, 2005. Neither does the information provide any indication of future results.

KarstadtQuelle group logistics and GPL Gesellschaft für Privatkundenlogistik

As part of an asset deal, Deutsche Post World Net took over distribution logistics for Karstadt Warenhaus AG as of April 1, 2005. This was followed by distribution logistics for bulky goods and part-load services on July 1, 2005. The equity interest in GPL Gesellschaft für Privatkundenlogistik mbH & Co. KG, Hamburg, was increased from 10% to 100% on June 8, 2005 at a purchase price of €18 million, to manage the distribution of bulky goods over and above warehousing.

Acquired assets	
€m	
Exclusivity rights	80
Land and buildings	99

The purchase price paid amounted to €179 million including transaction costs.

Overall, around €6.2 billion was spent on acquisitions in fiscal year 2005 (previous year: €810 million). The purchase prices of the companies acquired were settled primarily on a cash basis and by the issue of shares. Further details of cash flows can be found in note 50.

99 subsidiaries, 5 joint ventures and 12 associates have been deconsolidated since December 31, 2004. Of these companies, 18 were sold, 60 merged, 10 liquidated and 28 companies subject to a change in the method of inclusion or consolidation.

Disposal and deconsolidation effects

€m	Disposals of consolidated companies	Disposals of associates	Total
Intangible assets	11	–	11
Property, plant and equipment	12	–	12
Financial assets	0	23	23
Inventories	1	–	1
Receivables and other assets	17	–	17
Cash and cash equivalents	8	–	8
Liabilities and other liabilities	–37	–	–37
Revenue	148	–	148
Effect of deconsolidation	32	64	96

The sale of G. Scharrer GmbH, Duisburg, resulted in a gain on deconsolidation of €3 million. The sale of Fuelserv Ltd., United Kingdom (Fuelserv), in October 2005 contributed a gain on deconsolidation of €26 million recognized in income.

In addition, a gain on disposal amounting to €52 million was realized from the sale of trans-o-flex Schnell-Lieferdienst GmbH, Weinheim (trans-o-flex), a company accounted for at equity. The minority interest of 33% in the French company France Handling S.A. was sold at the end of September, generating a gain on disposal of €11 million.

A list of significant subsidiaries, joint ventures and associates is presented in note 56. 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]	
€m	
Balance sheet	
Intangible assets	7
Property, plant and equipment	3
Receivables and other assets	13
Cash and cash equivalents	8
Liabilities and other liabilities	–15
Financial liabilities	–25
Income statement	
Revenue	81
EBIT	5

1) Proportionate amounts; all figures at December 31

The consolidated joint ventures relate primarily to Danzas DV LLC, Russia, and Express Couriers Ltd., New Zealand.

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 2005:

Postal Civil Service Health Insurance Fund

As a result of the changes that became effective as of December 1, 2005, the basis for contributions to and funding of the *Postbeamtenkrankenkasse* (Postal Civil Service Health Insurance Fund), which has been closed to new members since 1995, was strengthened for the long term. On the one hand, the Deutsche Bundespost successor companies have set up a compensation fund amounting to €525 million to finance the costs of winding down the fund. On the other hand, the limitation on the increases in contributions to the level prevailing for statutory health insurance was eliminated. Deutsche Post World Net accordingly only has liability risks to the extent that the Postal Civil Service Health Insurance Fund contributions may not exceed the average level of contributions for comparable assistance tariffs for private health insurance plans (the so-called "constitutional limit"), and any caps to contributions must be compensated by the Postal Civil Service Health Insurance Fund's sponsors.

Deutsche Post AG and Deutsche Postbank AG have carried out an independent analysis and assessment of the outstanding liability risks based on their best estimates. The forecast calculations prepared by an actuary in this connection show that the Postal Civil Service Health Insurance Fund's books will remain continuously balanced until it has been completely wound down, provided that membership contributions continue to rise in line with the expected average trend for private health insurance. Accordingly it was possible to reverse most of the provision recognized for liability risks arising from the winding down of the Postal Civil Service Health Insurance Fund. The remaining amount of €90 million attributable to Deutsche Post AG and of €6 million attributable to Deutsche Postbank AG relates to funds that were set up for the purpose of mitigating the effects of additional financial burdens for members of the Postal Civil Service Health Insurance Fund. Income in the amount of €1,208 million was recognized on the reversal of the provision (see also note 11).

Pension plan curtailments

Plan curtailments reduced staff costs by a total of €462 million in fiscal year 2005 and related mainly to the fixing of indexing factors when calculating pensions. Deutsche Post AG's pension expense consequently fell by €402 million, that of Deutsche Post Retail GmbH by €16 million and that of Deutsche Postbank AG by €13 million.

Reversal of VAT provision

The VAT provision recognized in the previous year in connection with the risk of repaying the input taxes already claimed on revenue from commercial freight shipments of up to 20 kg was reversed in the amount of €369 million. The income was reported under other operating income (see note 11) .

Sale of trans-o-flex

Deutsche Post World Net has sold its 24.8% interest in trans-o-flex, Weinheim. Deutsche Post World Net originally planned to acquire a 100% interest in the company. However, this was prohibited by both the *Bundeskartellamt* (German Federal Antitrust Authority) and the *Bundesgerichtshof* (German Federal Court of Justice), which ruled on the matter at the end of 2004. The gain on disposal of €52 million was reported under net income from associates in the income statement.

Impairment of EXPRESS Americas goodwill

The ongoing loss situation in the EXPRESS Americas region led to an impairment loss of €434 million being recognized on its goodwill. Further information on the impairment test can be found in note 7.

Change in the use of estimates in the recognition of valuation allowances

The use of estimates for valuation allowances on receivables was adjusted in fiscal year 2005 to reflect actual circumstances. This resulted in a positive effect in the amount of €88 million for the EXPRESS segment and of €32 million for the LOGISTICS segment.

5 New developments in international accounting under IFRSs and the restatement of prior-year amounts

Since January 1, 2005, Deutsche Post World Net has applied the new standards and revisions (IAS Improvements Project and revised versions of IAS 32/39) published by the IASB in fiscal year 2004 and required to be applied in fiscal year 2005. Exceptions to this are IFRS 3, which must be applied for acquisitions from March 31, 2004 onwards, and IFRS 2.

The effects on prior-period amounts resulting from retrospective application are summarized in the table below.

Restated prior-period amounts	Dec. 31, 2004	Dec. 31, 2004	+/–
€m		restated	
ASSETS			
Property, plant and equipment[1]	8,439	8,169	–270
Investment property[1]	0	270	+270
Receivables and other assets[1, 2]	6,297	5,566	–731
Receivables and other securities from financial services[3]	125,009	124,914	–95
EQUITY AND LIABILITIES			
Equity – other reserves – IAS 39 reserves[3]	–343	58	+401
Retained earnings[1, 2, 3]	4,451	5,663	+1,212
Minority interest[2, 3]	1,611	1,623	+12
Deferred tax liabilities[2, 3]	927	929	2

1) IAS 1, IAS 40
2) Restatement IAS 8.22
3) IAS 32, IAS 39

The following section describes the material changes and effects on the net assets, financial position, and results of operations that have arisen from the application of the new standards since fiscal year 2005.

IAS 1 (Revised 2004): Presentation of Financial Statements

Under the revised IAS 1, the balance sheet structure was changed to show items classified by maturity. Both assets and liabilities must be classified as current or noncurrent.

The minority interest is no longer reported as a balance sheet item between equity and liabilities, but as a separate item within equity. The change in the minority interest is shown in the statement of changes in equity. The equity ratio has changed as a result.

Following the application of IAS 1, investment property, which was previously carried as land and buildings, is now reported as a separate balance sheet item.

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

The retrospective initial application of the more detailed accounting treatment for impairment losses on equities set out by IAS 39.61 entailed the recognition of cumulative impairment losses on equities totaling €430 million for fiscal year 2004, which resulted in a reduction in retained earnings and an increase in the IAS 39 reserve (revaluation reserve). The reclassification of financial assets at the Deutsche Postbank group also reduces the revaluation reserve by €29 million and minority interest by €15 million.

IFRS 3: Business Combinations/IAS 36 (Revised 2004): Impairment of Assets/IAS 38 (Revised 2004): Intangible Assets

Following the application of IFRS 3 Business Combinations, goodwill has not been amortized for new acquisitions since April 1, 2004, and for earlier acquisitions recognized in subsequent periods since January 1, 2005. Goodwill previously amortized by the Group will only be written down if an impairment test in accordance with IAS 36 confirms that it is impaired. In addition, the Group reassessed the useful lives of its intangible assets in accordance with IAS 38. This did not lead to any restatements.

Following the application of IFRS 3, the income statement no longer contains the goodwill amortization and profit or loss from operating activities before goodwill amortization (EBITA) items. The amount of €370 million reported under goodwill amortization in the previous year was reclassified to depreciation, amortization and impairment losses.

Change in an accounting policy: restatement of prior-year amounts in accordance with IAS 8.22

The Deutsche Postbank group has changed an accounting policy; from fiscal year 2005, the deferral of expenses relating to sales activities for mortgage loans is spread over the term of the loans. This change to reflect IAS 8.22 was also applied to prior years. The deferral is presented under receivables and other assets in prepaid expenses.

Restatements in the income statement

To take account of the Group's strong growth, its international positioning as well as increasing information requirements, a unified chart of accounts was drawn up in fiscal year 2005 which is binding on all subsidiaries. The chart of accounts complies with the IFRS requirements and allows a more transparent presentation of our companies' operating activities. The prior-period amounts were restated where required. Especially in the income statement reclassifications were necessary between individual items, e.g. the reclassification of rental and lease expenses from other operating expenses to materials expense and expenses from banking transactions, as well as within individual items.

Restated income statement	Dec. 31, 2004	Dec. 31, 2004	+/–
€m		restated	
Materials expense and expenses from banking transactions[1]	–20,546	–21,915	–1,369
Staff costs[1]	–13,744	–13,840	–96
Depreciation, amortization and impairment losses[2]	–1,451	–1,821	–370
Other operating expenses[1),3]	–5,445	–3,956	1,489
Income tax expense[3]	–431	–440	–9
Consolidated net profit for the year[3]	1,725	1,740	15
Deutsche Post AG shareholders[3]	1,588	1,598	10
Minorities[3]	137	142	5

1) Prior-period amounts restated due to new chart of accounts.
2) IFRS 3
3) IAS 8.22

6 Currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros (€) in accordance with IAS 21 using the functional currency method. The functional currency of foreign companies is determined by the primary economic environment in which they mainly generate and use cash. Within Deutsche Post World Net, the functional currency is predominantly the local currency. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rates, while income and expenses are generally translated at the monthly closing rates. The resulting currency translation differences are taken directly to equity. Currency translation differences of €108 million (previous year: €28 million) were recognized directly in equity in fiscal year 2005 (see also the statement of changes in equity).

Goodwill resulting from the use of acquisition accounting for foreign companies is translated at the rates prevailing at the transaction dates.

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

Foreign currency translation		2004	2005	2004	2005
€1 =		Closing rates		Average rates	
USA	USD	1.3612	1.1807	1.2433	1.24462
Switzerland	CHF	1.5443	1.55563	1.5438	1.54842
United Kingdom	GBP	0.709	0.68607	0.6785	0.68392
Sweden	SEK	9.0041	9.39247	9.1253	9.28157

The carrying amounts of non-monetary assets recognized in the case of consolidated companies operating in hyperinflationary economies are generally 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 2005, other operating income of €284 million (previous year: €88 million) and other operating expenses of €220 million (previous year: €85 million) resulted from currency translation differences. In contrast, currency translation differences that relate to net investments in a foreign operation are recognized in equity.

7 Accounting policies

The consolidated financial statements were prepared on the basis of historical costs, with the exception of available-for-sale financial assets as well as financial assets and financial liabilities at fair value through profit or loss (especially derivative financial instruments).

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.

Assets with an indefinite useful life are not depreciated or amortized, but are tested annually for impairment.

Since January 2005, goodwill has been accounted for using the "impairment only approach" as defined by IFRS 3. This stipulates that goodwill must subsequently be measured at cost less any cumulative impairment. Therefore, 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.

For the purpose of the impairment test, goodwill is allocated to nine cash-generating units (CGUs). The CGUs in fiscal year 2005 were as follows:

Deutsche Post World Net Cash Generating Units (CGUs)			
Segment level			
MAIL	EXPRESS	LOGISTICS	FINANCIAL SERVICES
CGU level			
MAIL National	EXPRESS Europe	DHL Global Forwarding	Financial Services
MAIL International	EXPRESS Americas	DHL EXEL Supply Chain	
	EXPRESS Asia Pacific		
	EXPRESS EMA		

The recoverable amount of a CGU is determined by calculating its value in use. These calculations are based on medium-term planning adopted by management, which covers a three-year period (2006 – 2008). To determine the value added by the perpetual annuity (value added from 2009 onwards) sustainable operating cash flows are extrapolated using a growth rate. The growth rate reflects the long-term forecast for each segment. The capital cost for each CGU was determined using the parameters which form the basis of value-based management. The impairment test as of December 31, 2005 revealed goodwill impairment of €434 million for the EXPRESS Americas CGU. As a result of this impairment loss, the EXPRESS Americas CGU accounted for goodwill of €687 million. The carrying amount of the CGU is around €1,400 million, including assets and goodwill. The value in use of the eight other CGUs exceeded their carrying amounts so that no impairment losses were recognized for these CGUs.

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	2004	2005
years		
Buildings	5 to 50	5 to 50
Technical equipment and machinery	3 to 10	3 to 10
Passenger vehicles	4 to 6	4 to 6
Trucks	5 to 8	5 to 8
Aircraft	15 to 20	15 to 20
Other vehicles	3 to 8	3 to 8
IT systems	3 to 8	3 to 8
Other operating and office equipment	3 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.

For operating leases, Deutsche Post World Net as the lessor reports the leased asset at amortized cost as an asset under property, plant and equipment. The lease payments recognized in the period in which they arise are shown under other operating income. Deutsche Post World Net as the lessee reports the lease payments made as rental expense under materials expense.

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. The goodwill contained in the carrying amounts of the investments is accounted for in accordance with IFRS 3.

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 non-derivative financial assets and 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 non-derivative financial assets and 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, which include long-term loans, are measured at amortized cost. They are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

The carrying amounts of money market placements correspond more or less to their fair values due to their short maturity.

Investment property

Under IAS 40, investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the supply of services or for administrative purposes, or sale in the ordinary course of business. It is measured at 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.

Noncurrent assets and disposal groups held for sale
Noncurrent assets and disposal groups held for sale relate primarily to companies held for sale that are recognized at the lower of carrying amount or fair value less costs to sell.

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. The write-down is recognized in the income statement.

All financial instruments held for trading and derivatives that do not satisfy the criteria for hedge accounting are assigned to the category "at fair value through profit and loss". They are generally measured at their fair values, and all changes in fair value are recognized in income. The financial instruments of the "at fair value through profit and loss" category are accounted for at the trade date. No use is made of the fair value option in accordance with IAS 39.

To avoid variations in net profit resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible and economically useful. If hedge accounting is applied, the net profit or loss from both the derivative and the related hedged item are simultaneously recognized in income. Depending on the hedged item and the risk to be hedged, Deutsche Post World Net uses fair value hedges and cash flow hedges.

A fair value hedge hedges the fair value of recognized assets and liabilities. Changes in the fair value of both the derivatives and the hedged item are simultaneously recognized in income.

A cash flow hedge hedges variations in future cash flows from recognized assets and liabilities and planned transactions as well as contracted transactions entailing a currency risk. The effective portion of a cash flow hedge is recognized in the hedging reserve in equity. Ineffective portions are recognized in income where required by IAS 39. The hedging reserve is reclassified when the hedged item is recognized in income or is no longer expected to occur.

Detailed information on hedges can be found in note 51.2.

Financial instruments
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 of the "held-to-maturity" and "loans and receivables" categories are measured at cost. Purchased loans and receivables classified as held for trading are measured at their fair values. Held-to-maturity and originated securities are measured at amortized cost, while securities of the "at fair value through profit or loss" and "available for sale" categories 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 comprise cash, demand deposits and other short-term liquid financial assets with an original maturity of up to three months and are carried at their principal amount.

Stock option plan
In accordance with IFRS 2, the stock option plan for executives is measured using investment techniques based on 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.

Financial liabilities
On initial recognition, financial liabilities are carried at fair value less transaction costs. In subsequent periods they are measured at amortized cost. 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.

Liabilities
Trade payables and other liabilities are carried at amortized cost. The fair value of liabilities corresponds more or less to their carrying amount.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amounts in the IFRS financial statements and the tax accounts of the individual entities. Deferred tax assets also include tax reduction claims which arise from the expected future utilization of existing tax loss carryforwards and are likely to be realized. 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 IFRS financial statements 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 18 "Income tax expense".

In accordance with IAS 12, deferred tax assets and liabilities are calculated by using the tax rates applicable in the individual countries at the balance sheet date or announced for the time when the deferred tax assets and liabilities are realized. The tax rate of 39.9% applied to German Group companies comprises the corporation tax rate plus the solidarity surcharge, as well as a trade tax rate which is calculated as the average of the different trade tax rates. 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 also note 52).

Estimates used in accounting and measurement

The preparation of IFRS-compliant consolidated financial statements requires the use of estimates. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances. Estimates and assumptions that could require the adjustment of the carrying amounts of assets and liabilities could relate to goodwill:

Specific assumptions must be defined for long-term developments from 2009 onwards in order to determine the value added by the perpetual annuity. The impact of these assumptions on the value in use differs in terms of sensitivity. From 2009, an EBITDA lower by 10% than the expected long-term EBITDA for the CGU EXPRESS Americas would trigger an additional impairment loss of €486 million. If the growth rate were assumed to be lower by 10%, this would produce an additional impairment loss amounting to €219 million. If the cost of capital were assumed to be 10% higher, this would lead to an additional impairment loss of €376 million.

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, 2005 and audited by independent auditors.

Initial consolidation of subsidiaries uses the purchase method of accounting. The cost of the acquisition corresponds to the fair value of the assets given up, the equity instruments issued and the liabilities incurred or assumed at the transaction date, plus any costs directly attributable to the acquisition.

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 acquisition accounting 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

January 1 to December 31 €m	MAIL		EXPRESS[1]		LOGISTICS		FINANCIAL SERVICES		Other/ consolidation[1]		Group	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
External revenue	12,096	12,165	17,393	17,775	6,681	7,807	6,700	6,636	298	211	43,168	44,594
Internal revenue	651	713	164	498	105	142	649	636	–1,569	–1,989	0	0
Total revenue	12,747	12,878	17,557	18,273	6,786	7,949	7,349	7,272	–1,271	–1,778	43,168	44,594
Profit or loss from operating activities (EBIT)[5]	2,072	2,030	117	11	182	315	714	790	–84	609	3,001	3,755
Net income from associates	0	0	4	60	0	11	0	0	0	0	4	71
Segment assets[2]	4,198	3,664	10,864	11,595	3,156	12,563	126,517	138,787	1,198	606	145,933	167,215
Investments in associates[2]	21	22	53	36	11	23	0	0	–3	–3	82	78
Segment liabilities including non-interest-bearing provisions[2]	2,076	1,926	3,524	3,947	1,132	4,027	117,723	129,136	1,351	173	125,806	139,209
Segment investments	879	230	1,129	988	138	7,030	204	257	379	595	2,729	9,100
Depreciation, amortization and write-downs	459	315	655	774	175	96	258	234	274	492	1,821	1,911
Other non-cash expenses	157	189	90	149	14	19	287	333	99	510	647	1,200
Employees[3]	134,004	129,200	130,390	131,189	31,696	36,033	32,293	31,116	20,288	20,069	348,671	347,607

Segments by region

January 1 to December 31 €m	Germany		Europe excluding Germany		Americas		Asia Pacific		Other regions		Group	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
External revenue	22,583	22,444	10,990	11,089	6,426	6,787	2,542	3,562	627	712	43,168	44,594
Segment assets[2), 4)]	122,733	132,845	15,264	22,475	6,657	9,478	998	1,932	281	485	145,933	167,215
Segment investments	854	1,229	1,000	6,159	726	1,074	128	531	21	107	2,729	9,100

1) Prior-period amounts restated as explained in the definition of Other/consolidation.
2) As of December 31
3) Average (FTEs)
4) The provisional goodwill resulting from the acquisition of Exel is included in Europe excluding Germany.
5) EBIT corresponds to the segment profit.

Segment reporting disclosures

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.

Segments by corporate division

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.

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.

LOGISTICS

The LOGISTICS Corporate Division comprises the national and international logistics services of the DHL Global Forwarding (formerly DHL Danzas Air & Ocean) and DHL Exel Supply Chain (formerly 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. The assets and liabilities of Exel have been included as of December 31, 2005.

FINANCIAL SERVICES

The FINANCIAL SERVICES Corporate Division consists primarily of Deutsche Postbank group's activities. Deutsche Postbank group 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 GmbH and the Pension Service.

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

EBIT of the FINANCIAL SERVICES Corporate Division

€m	Deutsche Postbank group	Other segment components	Total	Deutsche Postbank group	Other segment components	Total
	2004			2005		
EBIT	683	31	714	756	34	790

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. In addition, to enable improved management of the Group's cross-segment service functions such as IT services (ITS), aviation and hubs, these are no longer reported in the corporate divisions, but in the Other/consolidation segment. The reclassification took retroactive effect as of January 1, 2005.

- External revenue is the revenue generated by the corporate divisions from non-Group third parties.
- Internal revenue is revenue generated with other corporate divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-oriented prices are used as transfer prices (arm's length principle). The transfer prices for services for which no external market exists are generally based on incremental costs.
- The expenses for IT services provided in the IT service centers are allocated to the corporate divisions by cause. That portion of the expenses which cannot be passed on to the corporate divisions according to the arm's length principle continues to be included in the reconciliation line. As compared to the previous year, the Other/consolidation segment contains an amount of €164 million which cannot be allocated to the EXPRESS or LOGISTICS segments.
- The ALS (Airborne Logistics Services) business area has been reclassified from the EXPRESS segment to the LOGISTICS segment, producing a gain on disposal of €59 million. A gain of €46 million was recognized due to the reclassification of the Wilmington (USA) hub from the EXPRESS segment to the Other/consolidation column.
- 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). The receivables and other securities from financial services are reported under the FINANCIAL SERVICES segment. 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.

Segments 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

€m	2004	2005
Revenue	36,781	38,267
Income from banking transactions	6,387	6,327
	43,168	**44,594**

As in the prior-year period, there was no revenue or income from banking transactions in fiscal year 2005 that was generated on the basis of barter transactions.

The increase in revenue is primarily due to organic growth in the LOGISTICS division as well as the revenue contribution from KarstadtQuelle logistics and from companies consolidated for the first time in the year under review, such as Koba, Blue Dart and Express Couriers (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.

Income from banking transactions	2004	2005
€m		
Interest income		
Interest income from credit and money market transactions	2,976	3,481
Interest income from fixed-income securities and book-entry securities	1,971	1,605
Income from equities and other non-fixed-income securities	77	189
Other interest income	481	56
	5,505	**5,331**
Commission income	684	791
Net trading income	198	205
	6,387	**6,327**

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

11 Other operating income

Other operating income	2004[1]	2005
€m		
Income from the reversal of provisions	163	1,813
Income from currency translation differences	88	284
Income from investment securities and insurance business (financial services)	304	262
Gains on disposal of noncurrent assets	171	247
Income from work performed and capitalized	29	205
Income from prior-period billings	44	132
Insurance income	91	112
Income from non-hedging derivatives	6	101
Income from fees and reimbursements	93	96
Rental and lease income	91	94
Income from the derecognition of liabilities	60	88
Reversal of impairment losses on receivables and other assets	12	49
Income from loss compensation	20	21
Income from housing management cost equalization	10	5
Income from pre-tax adjustments	11	1
Income from Deutsche Postbank AG IPO	92	0
Miscellaneous	80	175
	1,365	**3,685**

1) Restatements due to the chart of accounts; see also note 5.

€1,208 million of the increase in income from the reversal of provisions is accounted for by the reversal of the provision for the Postal Civil Service Health Insurance Fund, and €369 million by the reversal of a VAT provision. Further details can be found in note 4 .

The increase in income from currency translation differences is because income and expenses from currency translation differences are no longer offset for the first time this year. A similar increase has therefore been recorded for the expenses from currency translation differences shown under other operating expenses.

In addition, income from work performed and capitalized rose due to the capitalization of internally developed software (DASHBOARD) as well as other IT projects.

Miscellaneous other operating income includes a number of individual items that do not exceed €5 million.

12 Materials expense and expenses from banking transactions

Materials expense and expenses from banking transactions	2004	2005
€m		
Materials expense	17,878[1]	20,111
Expenses from banking transactions	4,037	3,758
	21,915[1]	**23,869**

1) Prior-period amounts restated due to reclassifications; further details can be found in note 5.

Materials expense	2004[1]	2005
€m		
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Aircraft fuel	386	532
Fuel	450	413
Goods purchased and held for resale	366	332
Office supplies	122	108
Packaging material	69	106
Spare parts and repair materials	35	45
Other expenses	15	51
	1,443	**1,587**
Cost of purchased services		
Transportation costs	11,861	13,297
Rental and lease expenses	1,516	1,615
IT services	812	919
Cost of temporary staff	657	868
Maintenance costs	738	749
Commissions paid	211	283
Other purchased services	640	793
	16,435	**18,524**
	17,878[1]	**20,111**

1) Reclassifications within and between income statement items due to the chart of accounts; see also note 5.

The increase in the materials expense relates firstly to the rise in transportation costs resulting from organic growth in the LOGISTICS division in the Asia Pacific region in particular, and secondly to the acquisition of Blue Dart and Express Couriers.

Other purchased services include a number of individual items that do not exceed €10 million.

Expenses from banking transactions	2004	2005
€m		
Interest expense on liabilities	1,963	2,182
Interest expense on securitized liabilities	934	727
Interest expense on subordinated debt	103	171
Commission expense	94	103
Other interest expenses	943	575
	4,037	**3,758**

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 47).

13 Staff costs/employees

Staff costs	2004[1]	2005
€m		
Wages, salaries and compensation	11,272	11,249
of which expenses for options under the stock option plans	31	36
of which expenses for SARs under the stock option plans	2	4
Social security contributions	1,788	2,248
Retirement benefit expenses, welfare and assistance benefits	780	840
	13,840	**14,337**

1) Reclassifications within and between income statement items due to the chart of accounts; see also note 5.

The increase in social security contributions is mainly due to the increase in severance pay.

Retirement benefit expenses include €650 million (previous year: €650 million) relating to contributions by Deutsche Post AG and €64 million (previous year: €67 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 40.

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	2004	2005
Hourly workers and salaried employees	307,843	324,368
Civil servants	67,618	64,491
	375,461	**388,859**

The number of full-time equivalents as of December 31, 2005 was 455,115 employees (December 31, 2004: 340,667 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, amortization and impairment losses

Depreciation, amortization and impairment losses	2004[1]	2005
€m		
Amortization of intangible assets, excluding the impairment of goodwill	270	369
Depreciation of property, plant and equipment		
Buildings	261	271
Technical equipment and machinery	253	268
Other equipment, operating and office equipment, vehicle fleet	589	487
Aircraft	78	76
	1,451	**1,471**
Impairment of goodwill[1]	370	440
	1,821	**1,911**

1) Reclassifications within and between income statement items due to the chart of accounts as well as the IFRSs; see also note 5.

€110 million of write-downs in fiscal year 2005 relates to intangible assets and €43 million to land and buildings. €434 million of the impairment of goodwill relates to the EXPRESS Americas business (see also note 7).

15 Other operating expenses

Other operating expenses	2004[1]	2005
€m		
Public relations expenses	564	521
Legal, consulting and audit costs	517	494
Travel and training costs	393	399
Other business taxes	214	385
Telecommunication costs	287	302
Expenses from currency translation differences	85	220
Offices supplies	266	216
Addition to provisions	15	214
Allowance for losses on loans and advances (financial services)	185	205
Insurance costs	271	187
Warranty expenses, refunds and compensation payments	101	174
Write-downs of current assets	149	169
Cost of purchased cleaning, transportation and security services	196	162
Entertainment and corporate hospitality expenses	99	131
Expenses from non-hedging derivatives	16	82
Services provided by Bundesanstalt für Post und Telekommunikation	77	73
Commissions paid	54	64
Cost of asset disposal	41	53
Contributions and fees	29	49
Other property-related expenses	44	48
Customs duties not oncharged	28	42
Voluntary social benefits	46	39
Monetary transaction costs	22	23
Prior-period other operating expenses	55	19
Donations	10	13
Expenses from Deutsche Postbank AG IPO	17	0
Miscellaneous	175	123
	3,956	**4,407**

1) Reclassifications within and between income statement items due to the chart of accounts; see also note 5.

The increase in other business taxes relates in particular to Deutsche Post AG's tax arrears of €191 million with regard to capital tax and trade capital tax.

€104 million of the increase in the addition to provisions is attributable to Deutsche Postbank AG and mainly relates to the integration of the BHW group.

The increase in expenses from currency translation differences is because income and expenses from currency translation differences are no longer offset for the first time this year. A similar increase has therefore been recorded for the income from currency translation differences shown under other operating income.

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 Net income 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:

Net income from associates	2004	2005
€m		
trans-o-flex Schnell-Lieferdienst GmbH, Germany	3	52
France Handling S.A., France	0	11
Other Group companies	1	8
	4	**71**

The result mainly reflects the gain on the disposal of trans-o-flex of €52 million and the disposal of France Handling S.A.

17 Net other finance costs

Net other finance costs	2004	2005
€m		
Interest expenses	–1,169	–834
of which interest cost on discounted provisions for pensions and other provisions	–638	–545
Interest income	362	198
Income from other equity investments and financial instruments	24	4
Cost of loss absorption	–4	–7
Write-downs of financial instruments	–22	–10
Miscellaneous net other finance costs	–16	–124
	–825	**–773**

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).

The reduction in interest income and expenses relates primarily to reduced changes in value for interest-based derivative financial instruments and the hedged underlying transactions.

18 Income tax expense

Income tax expense	2004	2005
€m		
Current income tax expense	–251	–500
Current recoverable income tax	13	7
	–238	**–493**
Deferred tax income (previous year: tax expense) from temporary differences	–156[1]	54
Deferred tax expense from the reduction in deferred tax assets from tax loss carryforwards	–46	–166
	–202	**–112**
	–440[1]	**–605**

1) Prior-period amount restated; see also note 5.

The €255 million increase in the current income tax expense relates primarily to Deutsche Post AG and is due to current tax payments for the current assessment period.

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

Reconciliation to effective income tax expense	2004	2005
€m		
Consolidated net profit before income taxes	2,180	3,053
Expected income tax expense	870	1,218
Deferred tax assets from temporary differences not recognized for		
Initial differences	–264	–915
Goodwill amortization	148	175
Restructuring provisions	–68	–79
Deferred tax assets of German Group companies not recognized for tax loss carryforwards	0	–175
Deferred tax assets of foreign Group companies not recognized for tax loss carryforwards	192	201
Effect of taxes from previous years	–332	265
Tax-exempt income and non-deductible expenses, effects from section 8 b KStG	–83	–72
Differences in tax rates at foreign companies	–27	–33
Other	4	20
Effective income tax expense	440	605

The effects from deferred tax assets not recognized for tax loss carryforwards include a €87 million expense (previous year: €0 million) from the reduction of deferred tax assets from tax loss carryforwards which are unlikely to be used. They also include €310 million (previous year: €34 million) from the reduction of income tax expense resulting from the use of tax loss carryforwards for which no deferred tax assets were recognized.

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.

The remaining temporary differences between the carrying amounts in the IFRS financial statements and in the opening tax accounts amount to €6.4 billion as of December 31, 2005 (previous year: €5.0 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.

19 Consolidated net profit for the year

In fiscal year 2005, Deutsche Post World Net generated a consolidated net profit for the year of €2,448 million (previous year: €1,740 million), of which €2,235 million (previous year: €1,598 million) is attributable to Deutsche Post AG shareholders.

20 Minorities

In fiscal year 2005, minorities rose by €71 million year-on-year.

21 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 2005 were €1.99 (previous year: €1.44).

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. There were 33,785,854 stock options for executives at the reporting date (previous year: 29,854,042), of which 4,289,416 were dilutive (previous year: 918,661). In the year under review, the calculation of the diluted earnings per share based on the number of Deutsche Post AG shares did not result in any material difference from the amount of the basic earnings per share. The diluted earnings per share were €1.99.

22 Dividend per share

A dividend per share of €0.70 is being proposed for fiscal year 2005. Based on the 1,192,633,739 (previous year: 1,112,800,000) shares recorded in the commercial register, this corresponds to a dividend distribution of €835 million (previous year: €556 million). Further details of the distribution can be found in note 35.

Balance sheet disclosures

23 Intangible assets

Intangible assets

€m	Internally generated intangible assets	Purchased intangible assets	Goodwill	Advance payments, assets under development	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/ opening balance at January 1, 2005	980	1,018	5,483	84	7,565
Changes in consolidated group	–24	394	5,501	0	5,871
Additions	175	200	259	191	825
Reclassifications	–72	67	8	9	12
Disposals	–52	–48	–8	–12	–120
Currency translation differences	13	37	144	1	195
Closing balance at December 31, 2005	1,020	1,668	11,387	273	14,348
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/ opening balance at January 1, 2005	485	607	–373	0	719
Changes in consolidated group	–15	89	11	0	85
Amortization and impairment losses	93	175	440	101	809
Reclassifications	10	–10	0	0	0
Disposals	–47	–8	–2	–7	–64
Currency translation differences	7	13	30	0	50
Closing balance at December 31, 2005	533	866	106	94	1,599
Carrying amount at December 31, 2005	**487**	**802**	**11,281**	**179**	**12,749**
Carrying amount at December 31, 2004	495	411	5,856	84	6,846

1) Balance of goodwill impairment 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.

€213 million of the increase in purchased intangible assets relates to the acquisition of Exel and €80 million to the assumption of the logistics activities of KarstadtQuelle.

€5,459 million of the increase in goodwill relates to Exel (provisional goodwill from acquisition accounting; see note 3), €85 million to Blue Dart, €42 million to Express Couriers and €18 million to GPL Gesellschaft für Privatkundenlogistik.

24 Property, plant and equipment

Property, plant and equipment

€m	Land and buildings[1]	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	7,115[1]	2,752	2,706	1,072	1,568	67	15,280
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/ opening balance at January 1, 2005	7,021[1]	2,889	2,786	1,014	1,571	63	15,344
Changes in consolidated group	458	1,019	101	15	266	16	1,875
Additions	250	393	343	43	240	97	1,366
Reclassifications	144	–31	30	0	3	–32	114
Disposals	–223	–71	–211	–76	–176	–34	–791
Disposals to current assets (held for sale)	–3	0	–29	0	0	0	–32
Currency translation differences	72	50	70	24	12	2	230
Closing balance at December 31, 2005	7,719	4,249	3,090	1,020	1,916	112	18,106
Depreciation and impairment losses							
Opening balance at January 1, 2004	1,864[1]	1,744	1,924	276	926	0	6,734
Changes in consolidated group	10	6	–15	0	–12	0	–11
Depreciation and impairment losses	259[1]	253	397	78	192	0	1,179
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/ opening balance at January 1, 2005	2,023[1]	1,961	2,036	254	901	0	7,175
Changes in consolidated group	0	584	110	5	135	0	834
Depreciation and impairment losses	271	268	339	76	148	0	1,102
Reversal of impairment losses	0	0	0	–1	0	0	–1
Reclassifications	10	–7	5	0	1	0	9
Disposals	–105	–71	–198	–76	–143	0	–593
Disposals to current assets (held for sale)	–1	0	–20	0	0	0	–21
Currency translation differences	17	21	46	7	5	0	96
Closing balance at December 31, 2005	2,215	2,756	2,318	265	1,047	0	8,601
Carrying amount at December 31, 2005	**5,504**	**1,493**	**772**	**755**	**869**	**112**	**9,505**
Carrying amount at December 31, 2004	4,998[1]	928	750	760	670	63	8,169

1) Restatement of figures due to reclassification from investment property under land and buildings to noncurrent financial assets; see note 5.

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 €590 million.

25 Noncurrent financial assets

Noncurrent financial assets

€m	Investments in associates	Other noncurrent financial assets: Available for sale	Other noncurrent financial assets: Loans	Investment property[1)]	Total
Historical cost					
Opening balance at January 1, 2004	91	552	174	364	1,181
Changes in consolidated group	–24	–4	15	0	–13
Additions	28	21	29	0	78
Reclassifications	0	6	–6	0	0
Disposals	–1	–17	–15	0	–33
Disposals to current assets (held for sale)	0	0	0	0	0
Currency translation differences	0	–4	–8	0	–12
Closing balance at December 31, 2004/ opening balance at January 1, 2005	94	554	189	364	1,201
Changes in consolidated group	–5	29	–39	0	–15
Additions	33	184	41	0	258
Reclassifications	–4	117	–1	–116	–4
Disposals	–36	–212	–37	–105	–390
Disposals to current assets (held for sale)	0	0	0	0	0
Currency translation differences	0	14	9	0	23
Closing balance at December 31, 2005	82	686	162	143	1,073
Impairment losses					
Opening balance at January 1, 2004	12	5	65	92	174
Changes in consolidated group	–2	0	0	0	–2
Impairment losses	2	15	1	2	20
Changes in fair value	0	0	0	0	0
Reclassifications	0	0	0	0	0
Disposals	0	–5	0	0	–5
Disposals to current assets (held for sale)	0	0	0	0	0
Currency translation differences	0	0	1	0	1
Closing balance at December 31, 2004/ opening balance at January 1, 2005	12	15	67	94	188
Changes in consolidated group	–8	–7	10	0	–5
Impairment losses	–2	1	0	1	0
Changes in fair value	2	0	0	0	2
Reclassifications	0	0	0	–10	–10
Disposals	0	–13	0	–49	–62
Disposals to current assets (held for sale)	0	0	0	0	0
Currency translation differences	0	0	–1	0	–1
Closing balance at December 31, 2005	4	–4	76	36	112
Carrying amount at December 31, 2005	**78**	**690**	**86**	**107**	**961**
Carrying amount at December 31, 2004	82	539	122	270	1,013

1) Restatement of figures due to reclassification from investment property under land and buildings to noncurrent financial assets; see note 5.

€35 million (previous year: €131 million) of investment property relates to Deutsche Post AG and €72 million (previous year: €139 million) to the Deutsche Postbank group.

Compared with the market rates of interest prevailing at December 31, 2005 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: €16 million). The principal amount of these loans totals €26 million (previous year: €28 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: €0 million).

26 Other noncurrent assets

Other noncurrent assets €m	Pension assets	Derivates	Sureties provided	Other	Total
Historical cost					
Opening balance at January 1, 2005	51	161	0	23	235
Changes in consolidated group	121	0	0	37	158
Additions	13	37	23	29	102
Reclassifications	0	0	0	–2	–2
Disposals	0	–114	0	–12	–126
Currency translation differences	0	1	0	2	3
Closing balance at December 31, 2005	185	85	23	77	370
Impairment losses					
Opening balance at January 1, 2005	0	0	0	0	0
Changes in consolidated group	0	0	0	0	0
Impairment losses (+)/reversal of impairment losses (–)	–4	0	0	1	–3
Reclassifications	0	0	0	0	0
Disposals	0	0	0	0	0
Currency translation differences	0	0	0	0	0
Closing balance at December 31, 2005	–4	0	0	1	–3
Carrying amounts at December 31, 2005	**189**	**85**	**23**	**76**	**373**
Carrying amounts at December 31, 2004	51	161	0	23	235[1]

1) Prior-period amount restated; see note 5.

The derivatives – interest rate swaps/fair value hedges – relate to bonds issued by Deutsche Post Finance, Netherlands, and were entered into with external banks.

The increase in pension assets is due to the acquisition of Exel's pension assets totaling €117 million. Further information on pension assets can be found in note 40.

27 Deferred tax assets

Deferred tax assets €m	2004	2005
Deferred tax assets from tax loss carryforwards	337	225
Deferred tax assets from temporary differences	427	658
	764	**883**

No deferred tax assets were recognized on tax loss carryforwards of around €8.4 billion (previous year: €1.8 billion), as it can be assumed that the Group will not be able to use these tax loss carryforwards within the framework of medium-term tax planning. It will be possible to utilize these tax loss carryforwards for an indefinite period of time. Most of the loss carryforwards are attributable to Deutsche Post AG. The substantial year-on-year increase is primarily due to the results of an external tax audit relating to the opening tax accounts of Deutsche Post AG.

Deferred tax assets from tax loss carryforwards €m	2004	2005
Deferred taxes from German tax loss carryforwards		
Corporation tax and solidarity surcharge	129	72
Trade tax	111	61
Deferred taxes from foreign tax loss carryforwards	106	92
	346	**225**
Netted against deferred tax liabilities	–9	0
	337	**225**

The maturity structure of deferred tax assets from tax loss carryforwards is as follows:

Maturity structure €m	2004	2005
Less than 1 year	59	16
1 to 5 years	268	201
More than 5 years	10	8
	337	**225**

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 & liabilities from temp. differences	2004		2005	
€m	Assets	Liabilities	Assets	Liabilities
Intangible assets	25	100	28	198
Property, plant and equipment	33	80	12	102
Noncurrent financial assets	6	8	0	14
Other noncurrent assets	–	–	12	4
Current assets				
Receivables and other securities from financial services	126	796	67	721
Other current assets	31	0	103	0
Provisions	545	332	387	42
Financial liabilities	7	0	0	0
Liabilities from financial services	142	113	209	163
Other liabilities	6	3	13	9
	921	**1,432**	**831**	**1,253**
Balance of deferred tax assets and liabilities				
of which from temporary differences	–494	–494	–173	–173
of which from tax loss carryforwards	0	–9	0	0
Carrying amount	427	929	658	1,080

The maturity structure of deferred tax assets from tax loss carryforwards is as follows:

Maturities of deferred tax assets from temporary differences	2004	2005
€m		
Less than 1 year	129	198
1 to 5 years	154	371
More than 5 years	144	89
	427	**658**

28 Inventories

Inventories	2004	2005
€m		
Finished goods and goods purchased and held for resale	77	51
Spare parts for aircraft	74	66
Raw materials and supplies	65	117
Work in progress	2	46
Advance payments	9	2
	227	**282**

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.

29 Noncurrent assets and disposal groups held for sale

The amounts reported as current assets in accordance with IFRS 5 relate to the following companies that are held for sale:

Companies held for sale	
€m	
McPaper AG (McPaper), Berlin, Germany	24
Deutsche Post Wohnen GmbH, Bonn (DP Wohnen), Germany	2
DHL Express Denmark A/S, Denmark – buildings	2
	28

The companies McPaper and DP Wohnen were sold in January 2006.

30 Current tax receivables

Current tax receivables amounting to €576 million (previous year: €630 million) are composed of the following items:

Current tax receivables	
€m	
Income tax receivables	278
Value-added tax receivables	203
Customs and duties receivables	30
Other tax receivables	65
	576

31 Receivables and other assets

Receivables and other assets	2004[1]	2005
€m		
Trade receivables	3,732	6,153
Prepaid expenses	982	790
Deferred revenue	164	220
Creditors with debit balances	21	74
Current derivatives	156	64
Receivables from cash-on-delivery	9	57
Rent receivable	38	51
Receivables from Group companies	56	41
Receivables from employees	39	26
Receivables from residential housing construction pools	13	14
Receivables from loss compensation (recourse claims)	25	11
Receivables from insurance business	37	9
Receivables from Bundesanstalt für Post und Telekommunikation	6	6
Receivables from Bundes-Pensions-Service e.V.	0	6
Receivables from sales of assets	37	5
Equalization claim under section 40 DMBilG	12	0
Miscellaneous other assets	239	677
	5,566	**8,204**

1) Prior-period amounts restated due to new chart of accounts and IAS 8.22; see note 5.

€1,692 million of the €2,421 million increase in trade receivables relates to the acquisition of Exel.

Miscellaneous other assets include a number of individual items, none of which exceeds €10 million.

Further information on derivatives can be found in note 51.2.

32 Receivables and other securities from financial services

Receivables and other securities from financial services	2004	2005
€m		
Loans and advances to other banks		
Loans and advances to other banks (loans and receivables) of which fair value hedges: 2,720 (previous year: 2,723)	20,528	16,378
Loans and advances to other banks (available for sale)	0	0
Money market assets	3,292	1,423
	23,820	**17,801**
Loans and advances to customers of which secured by mortgage charges: 19,088 (previous year: 17,259)		
Loans and advances to customers (loans and receivables) of which fair value hedges: 4,115 (previous year: 5,260)	47,017	52,209
Loans and advances to customers (held to maturity)	639	573
Loans and advances to customers (available for sale)	0	0
	47,656	**52,782**
Allowance for losses on loans and advances		
Loans and advances to other banks	–2	0
Loans and advances to customers	–665	–776
	–667	**–776**
Trading assets		
Bonds and other fixed-income securities	6,859	7,284
Equities and other non-fixed-income securities	82	10
Positive fair value of trading derivatives	2,296	2,617
Positive fair value of banking book derivatives	458	475
	9,695	**10,386**
Hedging derivatives (positive fair values)		
Assets	11	72
Liabilities	962	567
	973	**639**
Investment securities		
Bonds and other fixed-income securities		
Loans and receivables of which fair value hedges: 2,143 (previous year: 377)	4,446	12,599
Held to maturity	2,385	3,375
Available for sale of which fair value hedges: 16,681 (previous year: 13,712)	33,520	33,687
	40,351	**49,661**
Equities and other non-fixed-income securities		
Available for sale	3,086	5,720
	43,437	**55,381**
	124,914[1]	**136,213**

1) Prior-period amount restated; see note 5.

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 for fiscal year 2005 (gross of the allowance for losses on loans and advances) is as follows:

Maturities of receivables and other securities from financial services 2005

€m	Payable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years	Total
Loans and advances to other banks	1,153	2,966	2,566	622	1,067	1,566	1,316	6,545	17,801
Loans and advances to customers	1,962	5,689	5,696	5,707	5,468	4,849	3,233	20,178	52,782
Trading assets/hedging derivatives	10	1,684	603	5,365	980	267	235	1,881	11,025
Investment securities	0	1,794	2,818	7,155	4,019	4,177	4,484	30,934	55,381
	3,125	**12,133**	**11,683**	**18,849**	**11,534**	**10,859**	**9,268**	**59,538**	**136,989**

Maturities of receivables and other securities from financial services 2004

€m	Payable on demand	Less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years	Total
Loans and advances to other banks	2,188	5,238	7,690	1,048	1,722	2,546	2,171	1,217	23,820
Loans and advances to customers	1,920	2,702	4,105	5,712	5,332	4,760	3,237	19,888	47,656
Trading assets/hedging derivatives	0	1,716	1,308	4,301	787	181	215	2,160	10,668
Investment securities	3	1,730	1,394	3,970	2,206	2,316	2,536	29,282	43,437
	4,111	**11,386**	**14,497**	**15,031**	**10,047**	**9,803**	**8,159**	**52,547**	**125,581**

€1,153 million of loans and advances to other banks is payable on demand (previous year: €2,188 million).

Of the loans and advances to customers, €8,682 million is attributable to public-sector loans (previous year: €11,051 million), and €28,953 million to building finance (previous year: €22,306 million).

The allowance for losses on loans and advances covers all identifiable credit risks. Portfolio-based valuation allowances were recognized for the potential credit risk.

Allowance for losses on loans and advances

	Specific risks		Potential risks		Total	
€m	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**
Opening balance at January 1	561	627	36	40	597	667
Changes in consolidated group	0	0	0	0	0	0
Additions	220	235	4	4	224	239
Utilization	–94	–88	0	0	–94	–88
Reversal	–55	–46	0	0	–55	–46
Currency translation differences	–5	4	0	0	–5	4
Closing balance at December 31	**627**	**732**	**40**	**44**	**667**	**776**

€19 million (previous year: €13 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 €5 million (previous year: €1 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. €7,277 million (previous year: €6,719 million) of the bonds and other fixed-income securities and €10 million (previous year: €82 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)	2004	2005
€m		
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	4	4
Hedging derivatives on loans to customers		
Loans and receivables	3	5
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	3	63
Equities and other non-fixed-income securities	1	0
	11	**72**
Liabilities		
Deposits from other banks	103	106
Amounts due to customers	144	110
Securitized liabilities	438	290
Subordinated debt	277	61
	962	**567**
	973	**639**

€52,788 million (previous year: €41,756 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 €309 million (previous year: €174 million). €236 million (previous year: €170 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.

Postbank issued letters of pledge to the European Central Bank for securities with a lending value of €10 billion (previous year: €7 billion) for open market operations. Open market operations at the balance sheet date amounted to €7 billion (previous year: €1 billion). The securities deposited as collateral continue to be reported as noncurrent financial assets.

Impairment losses of €7 million (previous year: €5 million) were recognized in fiscal year 2005 to reflect developments in the values of financial instruments.

33 Financial instruments

The change in the portfolio of financial instruments from €187 million to €35 million relates mainly to Deutsche Post AG. The financial instruments classified as available for sale last year were sold in 2005. The majority of these were securities bearing floating interest rates and fixed-rate securities.

34 Cash and cash equivalents

Cash totaling €2,084 million (previous year: €4,845 million) is composed of the following: €472 million of cash, €416 million of money in transit and €988 million of bank balances. In addition, cash equivalents amount to €69 million (previous year: €59 million). The change in cash is due in particular to the purchase price paid to acquire Exel.

35 Issued capital

On January 10, 2005, KfW Bankengruppe (KfW group) acquired 141.7 million Deutsche Post AG shares from the Federal Republic of Germany. In June 2005, KfW placed 126.5 million Deutsche Post AG shares on the market, thus increasing the free float to 55.3%. On July 18, 2005, the KfW group acquired the remaining interest held by the federal government (80,860,000 shares).

Share capital as of December 31	2004	2005
Number of shares		
Federal Republic of Germany	222,560,000	0
KfW Bankengruppe (formerly Kreditanstalt für Wiederaufbau, KfW)	401,119,799	497,179,799
Free float	489,120,201	695,453,940
	1,112,800,000	**1,192,633,739**

The issued capital increased by €79.8 million in fiscal year 2005 from €1,112.8 million to €1,192.6 million. It is now composed of 1,192,633,739 no-par value registered shares (ordinary shares), each individual share having a notional interest of €1 in the share capital. The increase in the issued capital relates to the following:

- The issued capital rose by €4.6 million due to the issue of new shares to service the stock options under the Stock Option Plan 2000 (Tranche 2002).
- Almost a third of the acquisition of Exel was financed by new shares that originated from the 2005 authorized capital. As a result, the issued capital increased by a further €75.2 million.

Changes in issued capital	
€	
Opening balance in January 2005	1,112,800,000.00
Issue of new shares (servicing of Tranche 2002) – contingent capital	4,629,967.00
Issue of new shares (acquisition of Exel) – 2005 authorized capital	75,203,772.00
Closing balance 2005	**1,192,633,739.00**

Authorized capital
The 2005 authorized capital replaces the authorization of the Board of Management resolved by the Extraordinary General Meeting on October 13, 2000 and due to expire on September 30, 2005 to increase the share capital by up to €80 million.

2005 authorized capital
By way of a resolution adopted by the Annual General Meeting on May 18, 2005, the Board of Management was authorized, with the approval of the Supervisory Board, to increase the share capital by up to €250 million by issuing up to 250 million no-par value registered shares against non-cash contributions by May 17, 2010. The authorization can be exercised in full or in part. Shareholders' pre-emptive subscription rights have been disapplied. With the approval of the Supervisory Board, the Board of Management made use of €75,203,772.00 of this authorization by resolving a capital increase on December 13, 2005. The share capital was increased accordingly when the capital increase was entered in the commercial register on December 13, 2005.

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 purpose is exclusively to service rights granted in accordance with the authorization of the Board of Management and the Supervisory Board to issue stock options that was resolved by the Annual General Meeting on September 27, 2000 (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 adopted 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 of 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, which may be issued or guaranteed by the company up to May 5, 2007.

Authorization to acquire own shares
By way of a resolution adopted by the Annual General Meeting on May 18, 2005, the company is authorized to acquire, until October 31, 2006, own shares amounting to up to a total of 10% of the share capital existing at the date the resolution is adopted.

The authorization 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.

Deutsche Post AG did not hold any own shares as of December 31, 2005.

Share-based payment system for executives (Stock Option Plans 2000 and 2003)
Further details on the share-based payment system can be found in the Corporate Governance Report which forms part of the notes in this area.

Share-based payment system for executives		
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
Tranche 2005		
Board of Management	829,362	0
Other senior executives	9,233,310	1,216,320

Information on the individual tranches is presented in the following tables:

Stock options	SOP 2000		SOP 2003		
	Tranche 2001	Tranche 2002	Tranche 2003	Tranche 2004	Tranche 2005
Grant date	March 15, 2001	July 1, 2002	August 1, 2003	July 1, 2004	July 1, 2005
Stock options granted	5,537,484	10,306,038	13,049,592	9,328,296	10,062,672
Stock Appreciation Rights (SARs) granted	345,432	446,934	731,736	1,116,374	1,216,320
Issue price	€23.05	€14.10	€12.40	€17.00	€19.33
Lock-up expires	March 14, 2004	June 30, 2005	July 31, 2006	June 30, 2007	June 30, 2008
Number					
Outstanding stock options at beginning of year	695,182	7,797,066	12,282,948	9,078,846	0
Outstanding SARs at beginning of year	37,843	310,176	677,748	1,088,606	0
Options exercised	0	4,629,967	Not yet exercisable	Not yet exercisable	Not yet exercisable
SARs exercised	0	147,020	Not yet exercisable	Not yet exercisable	Not yet exercisable
Options lapsed	32,393	220,302	711,330	473,376	63,492
of which lapsed before end of the lock-up period	0	220,302	711,330	473,376	63,492
of which lapsed because performance targets not met	0	0	Still in lock-up period	Still in lock-up period	Still in lock-up period
of which lapsed after end of lock-up period	32,393	0	Still in lock-up period	Still in lock-up period	Still in lock-up period
SARs lapsed	10,803	14,598	99,978	408,288	25,056
of which lapsed before end of the lock-up period	0	14,598	99,978	408,288	25,056
of which lapsed because performance targets not met	0	0	Still in lock-up period	Still in lock-up period	Still in lock-up period
of which lapsed after end of lock-up period	10,803	0	Still in lock-up period	Still in lock-up period	Still in lock-up period
Outstanding options at end of year	–	–	11,571,618	8,605,470	9,999,180
Outstanding SARs at end of year	–	–	577,770	680,318	1,191,264
Options exercisable at end of year	662,789	2,946,797	Not yet exercisable	Not yet exercisable	Not yet exercisable
SARs exercisable at end of year	27,040	148,558	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 €40 million attributable to fiscal year 2005 (previous year: €33 million), comprising €36 million for the stock options (previous year: €31 million) and €4 million for the SARs (previous year: €2 million), was reported under staff costs.

36 Other reserves

Other reserves	2004[1]	2005
€m		
Capital reserves	408	1,893
Revaluation reserve in accordance with IAS 39	191	220
Hedging reserve in accordance with IAS 39	–133	–51
	466	**2,062**

1) Prior-period amounts restated; see note 5.

Capital reserves

Capital reserves	2004	2005
€m		
Capital reserves at January 1	377	408
Issue of shares – acquisition of Exel	0	1,389
Additions		
of which exercise of stock options plans	0	60
of which issue of stock option plans	31	36
Capital reserves at December 31	408	1,893

Further information on the issue of shares relating to the acquisition of Exel can be found in note 3.

The measurement of the 2000 and 2003 Stock Option Plans resulted in staff costs for the stock options in the amount of €36 million in fiscal year 2005 (previous year: €31 million); this amount was charged to capital reserves. Further details of the stock option plans can be found in note 35.

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 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.

Revaluation reserve	2004[1]	2005
€m		
Balance at January 1	–203	191
Restatement IAS 39 (revised 2004)	301	0
Additions (+)/disposals (–)	161	165
Restatement within the fiscal year	100	0
Deferred taxes recognized directly in equity	1	13
Reversed to income	–169	–149
Balance at December 31	**191**	**220**

1) Prior-period amounts restated; see note 5.

In fiscal year 2005, on the one hand available-for-sale financial instruments in the amount of €149 million (previous year: €169 million) were reversed to income; on the other, the reserve increased by €165 million (previous year: €161 million) as a result of the measurement of available-for-sale financial instruments. Further details can be found in note 32.

The 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	2004	2005
€m		
Balance at January 1	–105	–133
Gains credited to hedging reserve	96	160
Losses charged to hedging reserve	–124	–78
Balance at December 31	**–133**	**–51**

The fall in the hedging reserve is due to measurement adjustments for previous hedges.

37 Retained earnings

Retained earnings mainly contain the undistributed consolidated profits generated in prior periods. Retained earnings are composed of the following items:

Retained earnings	2004[1]	2005
€m		
Undistributed profit of prior-year periods	4,547	5,663
Consolidated net profit for the year where attributable to Deutsche Post AG shareholders	1,598	2,235
Dividend	–490	–556
Currency translation differences	28	108
Miscellaneous	–20	2
	5,663	**7,452**

1) Prior-period amounts restated; see note 5.

Changes in the reserves during the year under review are also presented in the statement of changes in equity.

38 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in fiscal year 2005 amounted to €10,707 million (previous year: €7,242 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the unappropriated surplus of €1,814 million (previous year: €1,301 million) reported in the annual financial statements of Deutsche Post AG prepared in accordance with the German Commercial Code. The amount of €979 million (previous year: €745 million) remaining after deduction of the planned total dividend of €835 million (previous year: €556 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.

39 Minority interest

Minority interest includes adjustments for the interests of non-Group shareholders in the consolidated equity from acquisition accounting, as well as their interests in profit and loss. The interests relate primarily to the following companies:

Minority Interest	2004[1]	2005
€m		
Deutsche Postbank group	1,584	1,724
DHL Sinotrans	18	47
Exel group	0	25
Blue Dart	0	10
Other companies	21	27
	1,623	**1,833**

1) Prior-period amounts restated; see note 5.

40 Provisions for pensions and other employee benefits

In a number of countries Deutsche Post World Net maintains defined benefit pension plans based on the pensionable compensation and length of service of employees. Many of these benefit plans are funded through external pension funds. The Group also maintains a number of defined contribution plans.

Pension plans for civil servant employees 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 Bundepost 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: €650 million) and Deutsche Postbank AG paid contributions of €64 million (previous year: €67 million) to Bundes-Pensions-Service fur 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 and 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 defined benefit plans are measured using 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 Deutsche Bundespost (VAP), Unterstützungskasse Deutsche Post Betriebsrenten Service e.V. (DPRS), and Deutsche Post Pensionsfonds GmbH & Co. KG which was established in 2002. The pension funds 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.

Pension provisions and pension assets by area

Pension provisions and pension assets by area

€m	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
	2004						2005					
Pension provisions and other employee benefits	5,023	584	185	57	33	5,882	4,461	585	213	420	101	5,780
Pension assets	0	0	–41	–10	0	–51	0	0	–67	–122	0	–189
Net pension provisions	5,023	584	144	47	33	5,831	4,461	585	146	298	101	5,591

The newly acquired pension obligations of Exel are reported under LOGISTICS excluding DPAG. In 2005, Deutsche Post Retail GmbH was spun off from Deutsche Post AG. The obligations relating to Deutsche Post Retail GmbH are included in the Other column.

Actuarial assumptions

The majority of the Group's defined benefit obligations relate to companies in Europe, the UK and the US. The actuarial measurement of the main benefit plans was based on the following assumptions:

Actuarial assumptions

%	Germany	Rest of euro zone	UK	Switzerland	USA	Germany	Rest of euro zone	UK	Switzerland	USA
	2004					2005				
Discount rate	5.00	5.00	5.50	3.25	5.75	4.25	4.25	4.70	2.75	5.75
Future salary increase	2.50	2.75 to 3.25	4.00	2.75	4.00	2.50 to 3.00	2.00 to 3.50	4.00 to 4.10	3.00	3.25 to 4.00
Future inflation rate	1.00 to 2.00	1.50 to 2.25	2.50	1.25	3.25	2.00	2.00	2.60	1.50	2.75

For the German Group companies, longevity was calculated using the mortality tables Richttafeln 2005 G for the 2005 results while the 2004 results used the mortality tables Richttafeln 1998, both published by Dr. Klaus Heubeck. Country-specific mortality tables were used for the other countries.

The following average expected return on plan assets was used to compute the expenses for 2004 and 2005:

Computation of expenses for the period

%	Germany	Rest of euro zone	UK	Switzerland	USA
Average expected return on plan assets for 2004	3.10 to 4.25	6.70	7.75	5.45	8.17
Average expected return on plan assets for 2005	3.10 to 4.25	4.25 to 7.00	6.75 to 7.50	4.50	8.00

The expected return on plan assets was determined by taking into account current long-term rates of return on bonds (government and corporate) and applying to these rates a suitable risk premium determined on the basis of historical market returns and current market expectations for a given plan's asset structure.

Reconciliation of defined benefit obligations, plan assets and net pension provisions

Reconciliation of defined benefit obligations, plan assets and net pension provisions												
€m	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
	2004						2005					
Present value of defined benefit obligations at December 31 for wholly or partly funded benefits	3,980	0	760	513	0	5,253	4,111	73	1,099	4,389	0	9,672
Present value of defined benefit obligations at December 31 for unfunded benefits	3,641	714	129	61	33	4,578	3,709	761	193	68	103	4,834
Present value of total defined benefit obligations at December 31	7,621	714	889	574	33	9,831	7,820	834	1,292	4,457	103	14,506
Fair value of plan assets at December 31	–1,728	0	–697	–498	0	–2,923	–1,776	–59	–1,090	–4,105	0	–7,030
Unrecognized gains (+)/losses (–)	–870	–130	–48	–29	0	–1,077	–1,577	–190	–76	–62	–2	–1,907
Unrecognized past service cost	0	0	0	0	0	0	–6	0	0	0	0	–6
Asset adjustment for asset limit	0	0	0	0	0	0	0	0	20	8	0	28
Net pension provisions at December 31	5,023	584	144	47	33	5,831	4,461	585	146	298	101	5,591

The most significant changes in pension obligations in the course of 2005 were in the LOGISTICS excluding DPAG area and relate to the acquisition of Exel at the end of the year (net pension provisions: €227 million, defined benefit obligations: €4.030 billion, fair value of plan assets: €3.803 billion). The acquired obligations exist primarily in the United Kingdom.

There were significant reclassifications of pension obligations, plan assets and pension provisions from LOGISTICS excluding DPAG to EXPRESS excluding DPAG in Switzerland.

Changes in the present value of defined benefit obligations

Changes in the present value of defined benefit obligations

€m	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
	2004						2005					
Present value of defined benefit obligations at January 1	7,304	614	755	600	11	9,284	7,621	714	889	574	33	9,831
Service cost, excluding employee contributions	91	11	63	21	16	202	102	17	68	19	7	213
Employee contributions	0	0	6	7	0	13	0	0	12	5	0	17
Interest cost	389	38	46	23	0	496	359	37	53	17	5	471
Benefit payments	–470	–40	–22	–17	0	–549	–495	–43	–47	–10	0	–595
Past service cost	0	–2	–1	3	6	6	6	0	–15	–5	–5	–19
Curtailments	–389	–35	–66	–1	0	–491	–573	–17	–4	–2	–18	–614
Settlements	0	0	0	0	0	0	0	0	–2	–1	0	–3
Transfers	5	–2	74	–80	0	–3	–52	53	240	–225	54	70
Acquisitions	0	33	0	0	0	33	0	0	0	4,043	0	4,043
Actuarial gains (–)/ losses (+)	691	97	46	18	0	852	852	73	77	39	27	1,068
Currency translation effects	0	0	–12	0	0	–12	0	0	21	3	0	24
Present value of defined benefit obligations at December 31	7,621	714	889	574	33	9,831	7,820	834	1,292	4,457	103	14,506

The curtailments in 2005 primarily relate to Germany (see the information given under note 4).

Changes in the fair value of plan assets

Changes in the fair value of plan assets

€m	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
	2004						2005					
Fair value of plan assets at January 1	1,668	0	641	457	0	2,766	1,728	0	697	498	0	2,923
Employer contributions	196	0	56	19	0	271	206	1	50	15	0	272
Employee contributions	0	0	6	7	0	13	0	0	12	5	0	17
Expected return on plan assets	49	0	44	27	0	120	51	3	59	16	0	129
Gains (+)/losses (–) on plan assets	–3	0	–41	13	0	–31	–8	3	52	11	0	58
Pension payments	–187	0	–22	–17	0	–226	–201	0	–36	–6	0	–243
Transfers	5	0	25	–9	0	21	0	52	241	–239	0	54
Acquisitions	0	0	0	0	0	0	0	0	0	3,803	0	3,803
Settlements	0	0	0	0	0	0	0	0	–1	0	0	–1
Currency translation effects	0	0	–12	1	0	–11	0	0	16	2	0	18
Fair value of plan assets at December 31	1,728	0	697	498	0	2,923	1,776	59	1,090	4,105	0	7,030

The plan assets are primarily composed of fixed-income securities, fixed-term deposits, other cash and cash equivalents, etc. (46%; previous year: 57%), equities and investment funds (42%; previous year: 14%) and other assets, such as real estate (12%; previous year: 29%). 79% (previous year: 78%) of the real estate, which has a fair value of €649 million (previous year: €657 million), is owner-occupied by Deutsche Post AG.

Gains and losses

Gains and losses on plan assets		2005					
		Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
Actual return on plan assets	€m	43	6	111	27	0	187
Expected return on plan assets	€m	51	3	59	16	0	129
Experience gains (+)/losses (–) on plan assets	€m	–8	3	52	11	0	58
As a relative proportion of plan assets at January 1	%	0	6	7	2	0	2

Gains and losses on defined benefit obligations		2005					
		Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
Experience gains (+)/losses (–) on defined benefit obligations	€m	3	–13	18	4	0	12
As a relative proportion of the present value of defined benefit obligations at January 1	%	0	–2	2	1	0	0
Gains (+)/losses (–) on defined benefit obligations arising from changes in assumptions	€m	–855	–60	–95	–43	–27	–1,080
As a relative proportion of the present value of defined benefit obligations at January 1	%	–11	–8	–11	–7	–82	–11
Total actuarial gains (+)/losses (–) on defined benefit obligations	€m	–852	–73	–77	–39	–27	–1,068
As a relative proportion of the present value of defined benefit obligations at January 1	%	–11	–10	–9	–7	–82	–11

Changes in net pension provisions

Changes in net pension provisions												
€m	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
	2004						2005					
Net pension provisions at January 1	5,450	572	116	110	11	6,259	5,023	584	144	47	33	5,831
Pension expense	47	19	5	20	22	113	–10	42	66	22	15	135
Pension payments	–283	–40	–7	–6	0	–336	–294	–43	–11	–4	0	–352
Contributions to funds	–196	0	–49	–13	0	–258	–206	–1	–50	–15	0	–272
Acquisitions	0	33	0	0	0	33	0	0	0	240	0	240
Transfers	5	0	79	–64	0	20	–52	3	–4	8	54	9
Currency translation effects	0	0	0	0	0	0	0	0	1	0	–1	0
Net pension provisions at December 31	5,023	584	144	47	33	5,831	4,461	585	146	298	101	5,591

Payments amounting to €610 million are expected with regard to net pension provisions in 2006 (€338 million of this relates to the Group's expected direct pension payments and €272 million to expected payments to pension funds).

Pension expense

Pension expense €m	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total	Deutsche Post AG	Deutsche Postbank group	EXPRESS excluding DPAG	LOGISTICS excluding DPAG	Other	Total
	2004						2005					
Current service cost, excluding employee contributions	91	11	63	21	16	202	102	17	68	19	7	213
Interest cost	389	38	46	23	0	496	359	37	53	17	5	471
Expected return on plan assets	–49	0	–44	–27	0	–120	–51	–3	–59	–16	0	–129
Recognized past service cost	0	–2	–1	3	6	6	0	0	–15	–5	–5	–25
Amortized unrealized gains (–)/losses (+)	5	0	–1	2	0	6	7	4	4	1	24	40
Effects of curtailments	–389	–32	–57	–3	0	–481	–427	–13	–4	–2	–16	–462
Effects of settlements	0	0	0	0	0	0	0	0	–1	0	0	–1
Effects of asset limit	0	0	0	0	0	0	0	0	20	8	0	28
Other	0	4	–1	1	0	4	0	0	0	0	0	0
Pension expense	47	19	5	20	22	113	–10	42	66	22	15	135

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 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 the income statement.

41 Deferred tax liabilities

Deferred tax liabilities	2004	2005
€m		
Deferred tax liabilities at December 31	1,432[1]	1,253
Balance of deferred tax liabilities and deferred tax assets on tax loss carryforwards and temporary differences	–503	–173
Carrying amount at December 31	**929**	**1,080**

1) Prior-period amounts restated; see note 5.

The distribution of deferred tax liabilities on temporary differences is shown under note 27.

The maturity structure of deferred tax liabilities is shown below.

Remaining maturities of deferred tax liabilities	2004	2005
€m		
Less than 1 year	32	63
1 to 5 years	841	936
More than 5 years	56	81
	929	**1,080**

42 Other provisions

Other provisions	2004	2005
€m		
Other noncurrent provisions	3,246	2,361
Other current provisions	1,719	1,825
	4,965	**4,186**

Changes in other provisions

€m	Postal Civil Service Health Insurance Fund	Other workforce adjustment measures	STAR restructuring provision	Postage stamps	Miscellaneous provisions	Total
Opening balance at January 1, 2005	**1,603**	**1,098**	**712**	**500**	**1,052**	**4,965**
Changes in consolidated group	0	125	0	0	237	362
Utilization	–309	–276	–272	–500	–388	–1,745
Currency translation differences	0	10	0	0	17	27
Reversal	–1,208	–50	0	0	–51	–1,309
Interest cost added back	10	51	13	0	1	75
Reclassification	0	23	0	0	–23	0
Additions	0	757	0	500	554	1,811
Closing balance at December 31, 2005	**96**	**1,738**	**453**	**500**	**1,399**	**4,186**

Of the additions to provisions for other workforce adjustment measures amounting to €757 million, €572 million are attributable to Deutsche Post AG and €104 million to the Deutsche Postbank group.

Miscellaneous provisions	2004	2005
€m		
Technical reserves (insurance)	286	517
Staff-related provisions	97	119
Risks from business activities	35	53
Welfare benefits for civil servants	32	33
Litigation costs	30	43
Services provided by Deutsche Telekom AG	63	63
Miscellaneous other provisions	509	571
	1,052	**1,399**

Miscellaneous other provisions include a large number of individual items, none of which exceeds €30 million.

Maturities of other provisions

	Less than 1 year		1 to 5 years		More than 5 years		Total	
€m	2004	2005	2004	2005	2004	2005	2004	2005
Postal Civil Service Health Insurance Fund	3	0	200	29	1,400	67	1,603	96
Other workforce adjustment measures	346	524	685	954	67	260	1,098	1,738
STAR restructuring	423	199	276	254	13	0	712	453
Postage stamps	500	500	0	0	0	0	500	500
Miscellaneous provisions	447	602	258	374	347	423	1,052	1,399
	1,719	1,825	1,419	1,611	1,827	750	4,965	4,186

The provision for the funding of future shortfalls in the Postal Civil Service Health Insurance Fund closed to new members since January 1, 1995 comprises the statutory obligation of Deutsche Post AG and of Deutsche Postbank AG together with another successor of Deutsche Bundespost. Further information on the new financing structure can be found in note 4.

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.

43 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	2004	2005
€m		
Noncurrent financial liabilities		
Bonds	3,441	3,501
Due to banks	441	475
Finance lease liabilities	476	528
Other financial liabilities	145	307
	4,503	**4,811**
Current financial liabilities		
Bonds	129	3
Due to banks	457	510
Finance lease liabilities	52	48
Liabilities to Group companies	46	9
Other financial liabilities	53	285
	737	**855**
	5,240	**5,666**

Maturities of noncurrent financial liabilities	2004	2005
€m		
1 to 2 years	300	1,856
2 to 3 years	1,794	118
3 to 4 years	49	73
4 to 5 years	63	62
More than 5 years	2,297	2,702
	4,503	**4,811**

Bonds				2004		2005	
	Nominal coupon	Issue volume	Issuer	Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2002/2007	4.25%	€636m	Deutsche Post Finance B.V.	652	662	645	649
Bond 2002/2012	5.125%	€679m	Deutsche Post Finance B.V.	721	746	729	746
Bond 2003/2014	4.875%	€926m	Deutsche Post Finance B.V.	971	996	978	1,002
Bond 2003	1.15%	US$230m	DHL Holdings Inc. (USA) via Kenton County Airport Board	168	168	158	158
Exchangeable bond 2004/2007	2.65%	€1,018m	Deutsche Post Finance B.V., assumed by Deutsche Post AG	1,058	1,058	994	994
				3,570	**3,630**	**3,504**	**3,549**

The exchangeable bond relating to Deutsche Postbank AG's IPO issued by Deutsche Post Finance B.V. in July 2004 was transferred to Deutsche Post AG as of September 14, 2004.

The bonds issued by Deutsche Post Finance B.V. are fully guaranteed by Deutsche Post AG.

In connection with the acquisition of Exel, the latter's shareholders were also offered loan notes instead of Deutsche Post AG shares or cash. The loan notes in the amount of €167 million are reported under other noncurrent financial liabilities.

The following table contains the terms and conditions of significant individual contracts reported under amounts due to banks:

Terms and conditions	Coupon	Term	2004 Carrying amount €m	2004 Fair value €m	2005 Carrying amount €m	2005 Fair value €m
Deutsche Post International B.V., Netherlands	3-month floater	June 2011	105	95	89	89
Deutsche Post International B.V., Netherlands	3.85	Apr. 2006	102	106	102	105
Deutsche Post International B.V., Netherlands	5.19	Mar. 2006	104	103	104	106
Deutsche Post International B.V., Netherlands	5.81	Feb. 2011	72	66	61	59
Deutsche Post International B.V., Netherlands	5.82	Dec. 2005	17	18	0	0
			400	**388**	**356**	**359**

€356 million of the above-mentioned liabilities due to banks was collateralized.

€410 million of the finance lease liabilities (previous year: €397 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 €139 million (previous year: €178 million), and relate to QTE leases, as in the previous year.

All the financial liabilities relate to the following companies:

Financial liabilities broken down by company	2004	2005
€m		
Deutsche Post Finance B.V., Netherlands	2,344	2,350
Deutsche Post AG	1,075	1,170
Deutsche Post International B.V., Netherlands	578	478
Exel group	0	451
DHL Operations B.V., Netherlands	397	410
Other Group companies	846	807
	5,240	**5,666**

The following table compares the fair values and carrying amounts of the financial liabilities of Deutsche Post World Net:

Financial liabilities	2004		2005	
€m	Carrying amounts	Fair values	Carrying amounts	Fair values
Bonds	3,570	3,630	3,504	3,549
Due to banks	898	886	985	988
Liabilities to Group companies	46	46	9	9
Finance lease liabilities	528	528	576	576
Other financial liabilities	198	165	592	578
	5,240	**5,255**	**5,666**	**5,700**

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 in the Group Management Report in the "Financial Analysis" section.

44 Other liabilities

Other liabilities	2004	2005
€m		
Other noncurrent liabilities	2,989	3,989
Other current liabilities	2,965	3,832
	5,954	**7,821**

Other liabilities	2004[1]	2005
€m		
Subordinated debt of Deutsche Postbank group of which noncurrent: €3,784 million (previous year: €2,729 million)	2,808	3,784
Deferred income	487	608
Payable to employees and members of executive bodies	271	503
Compensated absences	355	411
Wages, salaries, severance	220	335
Incentive bonuses	176	290
Liabilities from the sale of residential building loans of which noncurrent: €105 million (previous year: €96 million)	258	264
Derivatives of which noncurrent: €70 million (previous year: €109 million)	223	155
Overtime claims	78	154
Social security liabilities	129	123
COD liabilities	47	85
Liabilities to Group companies	7	69
Conversion right for exchangeable bond	28	65
Other compensated absences	51	52
Debtors with credit balances	10	46
Insurance liabilities	29	23
Early termination fees	17	13
Liabilities from checks issued	13	11
Liabilities from defined contribution pension plans	10	8
Other liabilities to customers	21	7
Liabilities from BHW loans	5	0
Liabilities to Bundes-Pensions-Service für Post und Telekommunikation e.V.	2	0
Miscellaneous other liabilities	709	815
	5,954	7,821

1) Prior-period amounts restated due to chart of account; see note 5.

The increase in other liabilities is primarily due to the subordinated debt of the Deutsche Postbank group. The subordinated debt 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 €2,389 million. A total of €2,290 million (previous year: €1,297 million) of the subordinated debt is hedged against changes in fair value.

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.

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

Further details on the derivatives can be found in note 51.2.

The maturity structure of other noncurrent liabilities is as follows:

Maturity structure	
€m	
1 year to 2 years	53
2 years to 3 years	285
3 years to 4 years	142
4 years to 5 years	40
More than 5 years	3,469
Total	**3,989**

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.

45 Current tax provisions

Tax provisions contain provisions for current 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	
€m	
Opening balance at January 1, 2005	665
Changes in consolidated group	162
Utilization	–172
Reclassification	–28
Reversal	–392
Currency translation differences	5
Additions	385
Carrying amount at December 31, 2005	**625**

Tax provisions	2004	2005
€m		
Current income tax provisions	126	394
VAT provisions	435	41
Other tax provisions	104	190
	665	**625**

Current tax provisions relate mainly to Deutsche Post AG in the amount of €171 million (previous year: €484 million), and €75 million relates to the Deutsche Postbank group. The fall in VAT provisions is due to the decision by the Cologne Tax Court that Deutsche Post AG is not required to repay the input taxes claimed for business customer parcels to the tax authorities; as a result, Deutsche Post AG reversed the provision recognized for this in the previous year.

46 Trade payables

Trade payables in the amount of €4,952 million (previous year: €3,285 million) relate to Deutsche Post AG (€973 million; previous year: €871 million) and Exel (€1,454 million). Trade payables primarily have a maturity of less than one year. The reported carrying amount of trade payables corresponds to their fair value.

47 Liabilities from financial services

Liabilities from financial services	2004	2005
€m		
Deposits from other banks of which payable on demand: 585 (previous year: 916) of which fair value hedges: 2,306 (previous year: 2,978)	16,200	30,778
Due to customers of which fair value hedges: 2,849 (previous year: 3,445)		
Savings deposits	36,158	37,988
Other liabilities of which payable on demand: 21,364 (previous year: 20,142)	43,231	40,176
	79,389	**78,164**
Securitized liabilities of which fair value hedges: 13,376 (previous year: 11,571)		
Mortgage bonds	181	67
Public-sector mortgage bonds *(Pfandbriefe)*	1,073	319
Other debt instruments	15,236	14,227
	16,490	**14,613**
Trading liabilities		
Negative fair values of trading derivatives	2,111	2,770
Negative fair values of banking book hedging derivatives	540	571
Delivery obligations for short sales of securities	51	4
	2,702	**3,345**
Hedging derivatives (negative fair values)	2,245	1,668
	117,026	**128,568**

Maturities of liabilities from financial services 2005 €m	Payable on demand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Deposits from other banks	583	21,792	1,674	918	1,233	1,913	352	2,313	30,778
Due to customers	21,364	44,798	2,684	799	615	803	2,246	4,855	78,164
Securitized liabilities	0	4,392	1,849	2,370	1,126	2,594	1,187	1,095	14,613
Trading liabilities/hedging derivatives	35	1,617	157	147	136	247	198	2,476	5,013
	21,982	**72,599**	**6,364**	**4,234**	**3,110**	**5,557**	**3,983**	**10,739**	**128,568**

Maturities of liabilities from financial services 2004 €m	Payable on demand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Deposits from other banks	901	6,449	1,798	1,006	1,341	2,060	383	2,262	16,200
Due to customers	20,125	45,690	3,222	830	646	831	2,307	5,738	79,389
Securitized liabilities	216	3,658	1,595	3,009	1,368	3,283	1,459	1,902	16,490
Trading liabilities/hedging derivatives	0	1,243	333	223	288	192	398	2,270	4,947
	21,242	**57,040**	**6,948**	**5,068**	**3,643**	**6,366**	**4,547**	**12,172**	**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)	2004	2005
€m		
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	142	137
Purchased loans (available for sale)	37	7
	179	**144**
Hedging derivatives on loans to customers		
Loans and receivables	291	217
Purchased loans (available for sale)	89	4
	380	**221**
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	1,253	1,149
Equities and other non-fixed-income securities	3	0
	1,256	**1,149**
	1,815	**1,514**
Liabilities		
Deposits from other banks	0	6
Due to customers	0	0
Securitized liabilities	136	106
Subordinated liabilities	294	42
	430	**154**
	2,245	**1,668**

48 Current tax liabilities

Current tax liabilities amounting to €665 million (previous year: €585 million) are composed of the following items:

Current tax liabilities	
€m	
Income tax liabilities	40
Value-added tax liabilities	286
Customs and duties liabilities	129
Other tax liabilities	200
	655

All tax liabilities are current and have maturities of less than one year.

49 Liabilities included in disposal groups classified as held for sale

This item relates to liabilities of the companies DP Wohnen and McPaper, which are held for sale.

Liabilities included in disposal groups held for sale	
€m	
McPaper AG, Berlin, Germany (McPaper)	18
Deutsche Post Wohnen GmbH, Bonn, Germany (DP Wohnen)	2
	20

Both companies were sold in January 2006.

50 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.

50.1 Net cash from operating activities

Cash flows from operating activities are calculated by adjusting net profit before taxes for net financial income/net finance costs 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 (excluding financial liabilities) result in net cash from or used in operating activities.

Net cash from operating activities rose by €1,229 million year-on-year to €3,565 million. In the previous year, operating cash flow was largely dominated by the outflow relating to receivables and liabilities from financial services in the amount of €2,550 million, which was due to the reduction of securitized liabilities at Deutsche Postbank AG.

Tax payments rose by €237 million as against the previous year (€76 million) to €313 million. €155 million of this relates to Deutsche Post AG and €53 million to the Deutsche Postbank group. In addition, Deutsche Post AG paid tax arrears amounting to €191 million resulting from completed external tax audits (disclosed under other operating expenses, see note 15).

As in the previous year, the change in provisions of €–2,531 million (previous year: €–1,276 million) comprises the elimination of non-cash interest cost on provisions (€545 million) that is already reflected in the elimination of net finance costs 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 (€774 million) and for provisions for income taxes (€149 million). The changes in receivables and other assets in the amount of €–503 million (previous year: €–735 million) relate primarily to the €714 million increase in trade receivables. Other current assets were reduced by €130 million. Liabilities and other items rose by €896 million in the period under review (previous year: €1,728 million), mainly due to the increase in the subordinated debt of Deutsche Postbank AG (affecting cash flow) in the amount of €976 million (previous year: €1,085 million, see note 44).

Other non-cash income and expense	Dec. 31, 2004	Dec. 31, 2005
€m		
Write-downs and other valuation allowances on current assets	149	168
Income from reversal of write-downs of current assets	–10	–57
Staff costs relating to stock option plan	33	36
Non-cash income and expense of Deutsche Postbank group	326	205
Other	–72	–72
	426	**280**

50.2 Net cash used in investing activities
Cash flows from investing activities mainly result from cash received from disposals of noncurrent assets and cash paid for investments in noncurrent assets. Net cash used in investing activities totaled €5,052 million in the year under review (previous year: €385 million).

Disposals of items of noncurrent assets generated income for the Group of €761 million (previous year: €2,038 million, of which €1,534 million from the disposal of the 33.23% minority interest in Deutsche Postbank AG). €156 million of this relates to the sale of shares (primarily trans-o-flex (€65 million), Fuelserv (€35 million) and Fulco group – LBC Sweden AB, Herrljunga Akeri AB, LBC Finland Oy, GM/ITM A/S (Denmark) – (€21 million)).

€6,176 million (previous year: €2,536 million) was spent on investments in noncurrent assets. €4,135 million of this amount (previous year: €793 million) was attributable to the acquisition of companies, in particular the acquisition of Exel in the amount of €3,720 million, Blue Dart (€119 million), further shares in DHL Korea (€55 million), Express Couriers (€22 million) and the assumption of the logistics activities of KarstadtQuelle AG (asset deal) in the amount of €179 million. The total cash and cash equivalents acquired with these acquisitions amounted to €233 million (previous year: €17 million).

The following assets and liabilities were acquired on the acquisition of companies:

Acquisitions of companies	2004	2005
€m		
Noncurrent assets	199	2,860
Receivables and other securities from financial services	141	0
Current assets (excluding cash and cash equivalents)	167	2,243
Provisions	–210	–774
Other liabilities	–266	–3,050

Further details of the acquisitions can be found in note 3.

Investments in other noncurrent assets increased by €298 million year-on-year to €2,041 million (previous year: €1,743 million). €1,931 million of this relates to capital expenditure and €110 million to the acquisition of other noncurrent financial assets.

In addition to the cash inflow or outflow due to divestitures or investments in noncurrent assets, the cash flow from investing activities also includes interest received in the amount of €210 million (previous year: €225 million) and a cash inflow of €153 million (previous year: outflow of €112 million) from current financial instruments. The cash inflow from current financial instruments is largely attributable to the sale by Deutsche Post AG of available-for-sale fixed-income securities in the amount of €159 million.

50.3 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 €360 million (previous year: €443 million) is included in cash flows from financing activities.

Overall, net cash used in financing activities increased from €493 million in the previous year to €1,229 million in the period under review. In the previous year, the change in financial liabilities (inflow of €440 million) mainly reflected the proceeds from the exchangeable bond issued by Deutsche Post AG in 2004 on shares of Deutsche Postbank AG (€1.08 billion). Other repayments of bank loans, primarily by Deutsche Post International B.V., led to total cash outflows of €302 million in the area of financial liabilities. The dividend paid to shareholders of Deutsche Post AG resulted in an outflow of €556 million (previous year: €490 million). €76 million was paid to minority shareholders in the period under review, including €68 million to the minority shareholders of Deutsche Postbank AG. In addition, the issue of Deutsche Post AG shares under the stock option plan led to a cash inflow of €65 million.

50.4 Cash and cash equivalents
The cash inflows and outflows described above produced cash and cash equivalents of €2,084 million at year-end (see note 34 "Cash and cash equivalents"), down €2,761 million over the prior-year amount (€4,845 million). Currency translation differences impacted cash and cash equivalents in the amount of €–45 million in the year under review (previous year: €–14 million).

Other disclosures

51 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.

51.1 Risks and financial instruments of the Deutsche Postbank group

51.1.1 Risk management system

The Deutsche Postbank group has created the basis for risk- and earnings-based overall bank management by organizing its risk management activities.

The Management Board of Deutsche Postbank AG is responsible for risk strategy, the appropriate organization of risk management, monitoring the risk content of all transactions, and risk control.

In conjunction with the Risk Committees, the Management Board of Deutsche Postbank AG has defined the underlying strategies for activities on the financial markets and the other business sectors of the Deutsche Postbank group. The Management Board takes decisions on risk capital, the limiting procedures and limit levels for all risks associated with the banking and non-bank business; it defines the products and markets in which the Deutsche Postbank group will be active.

Operational responsibility for risk management is spread across several units in the group, primarily the Financial Markets division, Domestic/Foreign Credit Management departments and the credit functions of the private customer business and, at decentralized level, the Deutsche Postbank International S.A. and PB Capital Corp. subsidiaries, as well as the branches in Luxembourg and London.

The risk control units measure and assess group-wide risk, ensure that limits are monitored and complied with, and develop risk management strategies together with the operating units.

Definition of risk types

The Deutsche Postbank group distinguishes between the following risk types:

- Market price risk
- Counterparty risk
- Liquidity risk
- Operational risk
- Model risk
- Risk from shareholdings/risks from equity investments
- Strategic risk

Market price risk denotes the potential risk that may lead to losses in financial transactions from changes in interest rates, volatilities, exchange rates and equity prices. Changes in value are derived from daily marking to market, independently of their measurement for financial accounting purposes.

The Deutsche Postbank group defines counterparty risk as the potential loss that may be caused by changes in the creditworthiness of, or default by, a counterparty (for example, as a result of insolvency). Counterparty risk consists of the following risk types:

- credit risk, that is, the potential loss that may arise due to the inability of a debtor to discharge its payment obligations or due to a deterioration in its credit rating,
- country risk, or transfer risk, which may arise in the case of cross-border payments due to the unwillingness (political risk) or inability (economic risk) of a country to discharge its payment obligations, and
- counterparty risk which may arise due to default by a counterparty in the settlement of payment obligations (replacement risk) or to untimely performance of payment obligations (settlement risk).

Liquidity risk is the risk that the Deutsche Postbank group will be unable to meet its current and future payment obligations in full or at the due date. Funding risk (a special form of liquidity risk) arises when the necessary liquidity cannot be obtained at the expected terms when required.

The Basel Committee on Banking Supervision defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The Deutsche Postbank group has used this definition as the basis for introducing a corresponding group-wide control process.

Model risk is a collective term for the risk that arises when the only information available to decision-makers for management purposes derives from assumptions-based modeling.

The Bank defines risks from shareholdings/risks from equity investments firstly as potential losses that may arise from the provision of equity capital to third parties, and secondly as the earnings risk resulting from the profit and loss transfer agreements entered into with a large number of subsidiaries.

The Deutsche Postbank group classifies strategic risk as the risk that earnings targets will not be achieved because of the insufficient focus of the group on the relevant business environment (which may have changed abruptly).

Presentation of risk position

The importance of risk control has further increased against the background of a continuing phase of low interest rates and intense competition in the markets for deposits and loans, with consequent pressure on interest margins. An additional factor has been the insolvency record in the economy as a whole. The Deutsche Postbank group has introduced state-of-the-art instruments and procedures for the management and control of the different categories of risk. These are constantly being developed further in response to changes in the market, the development of the group and banking regulatory requirements. As a result, the Deutsche Postbank group is in a position to meet the challenges it faces in the market, and to control and limit all categories of risk across all business divisions in a way that minimizes risk while maximizing earnings. The methods and procedures employed meet all current statutory and regulatory requirements.

With respect to credit risk, the low risk profile of the credit business during 2005, as well as the favorable position of having relatively low risk costs could be maintained despite continuing difficult conditions in the economy as a whole. Among other things, the increasing credit risks in the retail segment in Germany were countered by a restrictive scoring-based lending policy as well as more efficient and faster processes for the intensive management of loans in default.

The absolute increase in risk costs is mainly the result of the planned expansion of private customer business over recent years. The Deutsche Postbank group will continue to pursue its risk-sensitive business policy in the future.

In the allocation of risk capital, the Deutsche Postbank group has been, and continues to be able to allow the business divisions sufficient scope to achieve business growth in line with its strategy. No risks that could impair the Deutsche Postbank group'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, 2005:

Deutsche Postbank group own funds	2004	2005
€m		
Risk-weighted assets	50,043	62,354
Market risk positions	5,938	7,538
Positions for which capital charges are required	55,981	69,892
Core (tier 1) capital	4,231	5,164
of which hybrid capital instruments	635	1,151
Supplementary (tier 2) capital	1,862	2,342
Profit participation certificates	359	558
Subordinated liabilities	1,247	1,780
Other components	256	4
Tier 3 capital	–	–
Eligible own funds	6,093	7,506
Tier 1 ratio in %	8.5	8.3
Capital ratio in %	10.9	10.7

51.1.2 Derivatives

The Deutsche Postbank group uses derivatives for hedging purposes 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 fair values of the individual contracts were calculated using recognized valuation models and do not reflect any netting agreements.

The derivatives portfolio is classified by economic purpose as follows:

Derivatives	Notional amounts		Positive fair values		Negative fair values	
€m	2004	2005	2004	2005	2004	2005
Trading derivatives	224,044	361,833	2,754	3,092	2,651	3,341
Hedging derivatives	39,203	41,909	973	639	2,245	1,668
Total	**263,247**	**403,742**	**3,727**	**3,731**	**4,896**	**5,009**

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.

Open interest rate, foreign currency forward transactions and option contracts of the Deutsche Postbank group

		Fair value			Fair value	
€m	Notional amount	Positive fair values	Negative fair values	Notional amount	Positive fair values	Negative fair values
		2004			2005	
Trading derivatives						
Currency derivatives						
OTC products						
Currency forwards	1,340	35	66	2,238	19	25
Currency swaps	12,514	561	469	13,840	157	140
Total portfolio of currency derivatives	**13,854**	**596**	**535**	**16,078**	**176**	**165**
Interest rate derivatives						
OTC products						
Interest rate swaps	177,429	2,123	2,051	301,793	2,892	3,147
Cross-currency swaps	32	2	2	15	1	1
FRAs	2,310	0	0	10,433	1	0
OTC interest rate options	2,460	2	2	408	0	0
Other interest-related contracts	186	1	0	457	2	2
Exchanged-traded products						
Interest rate futures	22,954	0	0	16,606	0	0
Interest rate options	2,915	1	0	14,665	1	1
Total portfolio of interest rate derivatives	**208,286**	**2,129**	**2,055**	**344,377**	**2,897**	**3,151**
Equity/index derivatives						
OTC products						
Equity options (long/short)	733	4	47	198	14	16
Exchange-traded products						
Equity/index futures	93	0	0	147	0	0
Equity/index options	246	9	1	112	2	0
Total portfolio of equity/index derivatives	**1,072**	**13**	**48**	**457**	**16**	**16**
Credit derivatives						
Credit default swaps	832	16	13	921	3	9
Total portfolio of credit derivatives	**832**	**16**	**13**	**921**	**3**	**9**
Total portfolio of derivatives held for trading	224,044	2,754	2,651	361,833	3,092	3,341
of which banking book derivatives	22,957	458	540	36,757	475	571
Hedging derivatives						
Fair value hedges						
Interest rate swaps	36,535	949	2,035	39,776	602	1,539
Cross-currency swaps	2,284	23	207	2,132	37	129
Equity options	383	1	3	0	0	0
Other interest-related contracts	0	0	0	0	0	0
Total portfolio of hedging derivatives Fair value hedges	39,202	973	2,245	41,908	639	1,668
Cash flow hedges						
Credit default swaps	1	0	0	1	0	0
Total portfolio of hedging derivatives Cash flow hedges	1	0	0	1	0	0
Total portfolio of hedging derivatives	**39,203**	**973**	**2,245**	**41,909**	**639**	**1,668**
Total portfolio of derivatives	**263,247**	**3,727**	**4,896**	**403,742**	**3,731**	**5,009**

The following table provides an overview of the recognized derivative assets and liabilities, structured by remaining maturity:

Remaining maturities	Hedging derivatives				Trading and banking book derivatives			
	Positive fair values	Negative fair values	Positive fair values	Negative fair values	Positive fair values	Negative fair values	Positive fair values	Negative fair values
€m	2004		2005		2004		2005	
Less than 3 months	291	322	304	316	1,000	921	1,203	1,348
3 months to 1 year	60	56	32	54	279	277	110	103
1 to 2 years	80	168	16	82	53	55	32	65
2 to 3 years	48	205	14	118	39	83	33	18
3 to 4 years	23	138	44	144	49	54	74	103
4 to 5 years	57	273	28	141	117	125	111	57
More than 5 years	414	1,083	201	813	1,217	1,136	1,529	1,647
	973	**2,245**	**639**	**1,668**	**2,754**	**2,651**	**3,092**	**3,341**

Derivatives – classification by counterparties

The following table presents the positive and negative fair values of derivatives by counterparties.

Classification by counterparties	Positive fair values	Negative fair values	Positive fair values	Negative fair values
€m	2004		2005	
Banks in OECD countries	3,681	4,774	3,653	4,914
Public institutions in OECD countries	1	4	0	0
Other counterparties in OECD countries	45	118	78	95
	3,727	**4,896**	**3,731**	**5,009**

51.1.3 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.

Carrying amounts/fair values	Carrying amount	Fair value	Carrying amount	Fair value
€m	2004		2005	
Assets				
Cash reserve	1,125	1,125	968	968
Loans and advances to other banks	23,820	23,974	17,801	17,862
Loans and advances to customers	47,739	48,509	52,873	54,975
Allowance for losses on loans and advances	–667	–667	–776	–776
Investment securities	6,843	6,963	15,974	16,037
Liabilities				
Deposits from other banks	16,215	16,463	30,778	30,986
Amounts due to customers	80,519	80,602	78,481	78,871
Securitized liabilities and subordinated debt	19,298	19,564	18,397	18,806

51.2 Risks and fair values of financial instruments in other Deutsche Post World Net companies

Derivatives

As a result of its operating activities, Deutsche Post World Net is exposed to financial risks that may result from changes in exchange rates, commodity prices (in particular fuel prices) and interest rates. Deutsche Post World Net uses primary and derivative financial instruments to limit these risks. The overarching principle applicable to any use of derivatives is the hedging of risks from the underlying transactions. Derivatives may therefore only be used to close risk positions, but never to enter into new risks for speculative purposes.

There may be considerable variations in the fair value of such financial instruments due to future changes in interest rates, exchange rates or commodity prices. These changes in value may not be assessed individually, but only together with any offsetting value developments resulting from the underlying transactions.

The necessary universe of actions, responsibilities and controls have been clearly established in internal guidelines. Suitable risk management software is used to record, assess and process hedging transactions. The effectiveness of such transactions is monitored on an ongoing basis. The Group only uses prime-rated banks as counterparties for such transactions, and it regularly monitors counterparty limits and the extent to which these have been utilized.

Internally, the Group's Board of Management receives regular information on the existing risks and the hedging transactions effected on this basis. The financial instruments used are accounted for externally in accordance with IAS 39.

Liquidity management

Deutsche Post World Net ensures a sufficient supply of cash for Group companies via a suitable liquidity management system. Available liquidity was substantially reduced in 2005 due to acquisitions. However, together with existing Group credit lines extended by banks in the amount of €4.2 billion (previous year: €4.1 billion) that were not drawn down at the end of the year, the Group continues to have sufficient funds to finance further growth.

Currency risk and currency management

Deutsche Post World Net's global activities expose it to currency risks from planned and completed transactions in foreign currencies. All Group companies report their foreign-currency risks to Corporate Treasury, which calculates a consolidated position per currency from these reports. These risks are hedged centrally using currency forwards, currency options and swaps. As of December 31, 2005, the notional amount of outstanding currency forwards and swaps was €3,654 million (previous year: 3,104 million), and their fair value amounted to €–48 million (previous year: €23 million). These transactions are used both to hedge planned and recorded operational risks and to hedge internal and external finance and investments. For reasons of simplification, fair value hedge accounting in accordance with IAS 39 was not used for currency swaps.

The Group also held cross-currency swaps with a nominal value of €2,448 million (previous year: €516 million) and a fair value of €–24 million (previous year: €–51 million) to hedge long-term foreign currency financing and investments in foreign subsidiaries. In addition, it held currency options with a nominal value of €443 million (previous year: €300 million) and a fair value of €3 million (previous year: €2 million). These options served exclusively to hedge planned future operating foreign currency cash flows.

Currency forwards were measured on the basis of current market prices, taking forward premiums and discounts into account. Currency options were measured using the "Black Scholes" pricing model. Of the gains and losses from currency derivatives totaling €–42 million (previous year: €–77 million) that were recognized in equity as of December 31, 2005 in accordance with IAS 39, €-1 million is expected to be recognized in income in the course of 2006.

Commodity price risk

Commodity price risks are hedged centrally in connection with the purchase of kerosene. In addition, a proportion of commodity price increases is passed on to customers via surcharges and contract clauses. Values measured by banks were used for hedges of commodity price risks which cannot be measured using the treasury risk management system. These values were calculated on the basis of current market prices at month-end, taking forward curves based on the fair value principle into account. Fuel worth €373 million was hedged at the balance sheet date (previous year: €224 million).

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 positions in each portfolio irrespective of the liquidity tied up in individual financial contracts, and thus to manage and limit the interest rate risk. The fair value of interest rate hedging instruments was obtained on the basis of discounted expected future cash flows, using the Group's treasury risk management system.

At December 31, 2005, Deutsche Post World Net had entered into interest rate swaps with a notional volume of €1,765 million (previous year: €2,373 million). The fair value of this interest rate swap position was €73 million (previous year: €134 million). The fair value of interest rate options entered into was €–2 million (previous year: €–3 million) for a traded notional volume of €150 million (previous year: €150 million).

The Group was able to benefit from the low level of interest rates on the financial markets as financing via both primary and derivative instruments was generally short-term. However, the share of instruments bearing long-term interest rates rose in the fourth quarter of 2005.

In the euro zone, Deutsche Post World Net expects interest rates to rise slightly, but to remain clearly below the long-term average. Although the potential negative impact of rising interest rates on the financial position strengthened as a result of cash flows from acquisitions, it is still insignificant.

The following table provides an overview of the derivative financial instruments used by Deutsche Post World Net (excluding the Deutsche Postbank group), and their fair values.

Derivative financial instruments				Fair value		
€m	Notional amount	Fair value	Notional amount	Assets	Liabilities	Total
	2004		2005			
Interest rate products						
Interest rate swaps	2,373	134	1,765	85	–12	73
of which cash flow hedges	32	–2	24	0	–3	–3
of which fair value hedges	2,241	146	1,641	85	0	85
of which held for trading	100	–10	100	0	–9	–9
FRAs	0	0	0	0	0	0
Interest rate options	150	–3	150	0	–2	–2
of which cash flow hedges	0	0	0	0	0	0
of which held for trading	150	–3	150	0	–2	–2
Others	0	0	0	0	0	0
	2,523	131	1,915	85	–14	71
Currency derivatives						
Currency forwards	788	–67	1,149	7	–36	–29
of which cash flow hedges	735	–67	739	6	–34	–28
of which held for trading	53	0	410	1	–2	–1
Currency options	300	2	443	6	–3	3
of which cash flow hedges	300	2	443	6	–3	3
Currency swaps	2,316	90	2,505	8	–27	–19
of which cash flow hedges	42	90	0	0	0	0
of which held for trading	2,274	0	2,505	8	–27	–19
Cross-currency-swaps	516	–51	2,448	10	–34	–24
of which cash flow hedges	234	–12	224	0	–17	–17
of which fair value hedges	282	–39	243	2	–17	–15
of which held for trading	0	0	1,981	8	0	8
	3,920	–26	6,545	31	–100	–69
Transactions based on commodity prices						
Fuel hedging program	224	21	373	33	–3	30
of which cash flow hedges	224	21	373	21	0	21
of which held for trading	0	0	0	12	–3	9

Fair values 2005 according to maturity	Assets							Liabilities						
€m	up to 1 year	up to 2 years	up to 3 years	up to 4 years	up to 5 years	> 5 years	Fair value	up to 1 year	up to 2 years	up to 3 years	up to 4 years	up to 5 years	> 5 years	Fair value
Interest rate products														
Interest rate swaps	0	12	0	0	0	73	85	0	0	0	–3	0	–9	–12
of which cash flow hedges	0	0	0	0	0	0	0	0	0	0	0	0	–3	–3
of which fair value hedges	0	12	0	0	0	73	85	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	–3	0	–6	–9
FRAs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest rate options	0	0	0	0	0	0	0	0	–2	0	0	0	0	–2
of which cash flow hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	–2	0	0	0	0	–2
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	**12**	**0**	**0**	**0**	**73**	**85**	**0**	**–2**	**0**	**–3**	**0**	**–9**	**–14**
Currency derivatives														
Currency forwards	7	0	0	0	0	0	7	–11	–4	–4	–5	–5	–7	–36
of which cash flow hedges	6	0	0	0	0	0	6	–9	–4	–4	–5	–5	–7	–34
of which held for trading	1	0	0	0	0	0	1	–2	0	0	0	0	0	–2
Currency options	6	0	0	0	0	0	6	–3	0	0	0	0	0	–3
of which cash flow hedges	6	0	0	0	0	0	6	–3	0	0	0	0	0	–3
Currency swaps	8	0	0	0	0	0	8	–27	0	0	0	0	0	–27
of which cash flow hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	8	0	0	0	0	0	8	–27	0	0	0	0	0	–27
Cross-currency-swaps	2	8	0	0	0	0	10	0	0	0	0	0	–34	–34
of which cash flow hedges	0	0	0	0	0	0	0	0	0	0	0	0	–17	–17
of which fair value hedges	2	0	0	0	0	0	2	0	0	0	0	0	–17	–17
of which held for trading	0	8	0	0	0	0	8	0	0	0	0	0	0	0
	23	**8**	**0**	**0**	**0**	**0**	**31**	**–41**	**–4**	**–4**	**–5**	**–5**	**–41**	**–100**
Transactions based on commodity prices														
Fuel hedging program	33	0	0	0	0	0	33	–3	0	0	0	0	0	–3
of which cash flow hedges	21	0	0	0	0	0	21	0	0	0	0	0	0	0
of which held for trading	12	0	0	0	0	0	12	–3	0	0	0	0	0	–3

Fair value hedges
Interest rate swaps were entered into to hedge the fair value risk of fixed-interest euro-denominated liabilities. The positive fair values of the interest rate swaps used in fair value hedges amounts to €85 million (previous year: €146 million). The reduction in fair value is due primarily to an interest rate swap being closed out in 2005. The €45 million adjustment to the carrying amount of the underlying recognized in the past in accordance with IAS 39 is amortized over the remaining term (2014) using the effective interest method, and reduces the Group's future interest expense.

In addition, cross-currency swaps were used to hedge liabilities in foreign currency, with the liability being transformed into a variable interest euro-denominated liability. This hedged the fair value risk of the interest and currency component. The fair value of derivatives disclosed as of December 31, 2005 is €–15 million (previous year: €–39 million).

Cash flow hedges
The Group uses currency forwards and currency options to hedge the future cash flow risks from foreign currency revenue and expenses relating to the Group's operating business. The fair values of currency forwards amount to €1 million (previous year: €–13 million), and the fair values of currency options amount to €3 million (previous year: €2 million). The underlyings will be settled in 2006.

Currency forwards with a disclosed fair value of €–29 million (previous year: €–54 million) as of December 31, 2005 were entered into to hedge the risk of future lease payments and annuities denominated in foreign currencies. The payments for the underlyings are made in installments, with the final payment due in 2013.

Fixed-interest foreign currency investments and borrowings were transformed into fixed-interest euro investments and borrowings using cross-currency swaps. The cross-currency swaps hedge the currency risk, and their fair values as of December 31, 2005 were €–17 million (previous year: €–12 million). The investments relate to internal Group loans which mature in 2014.

The Group is exposed to commodity price risk in connection with the purchase of aircraft kerosene. Future cash flow risks are hedged by entering into derivative transactions. Future cash flows from the planned purchase of jet fuel are hedged against rising prices. The fair values of swaps amounted to €30 million (previous year: €21 million) at the balance sheet date. The underlyings will be recognized in the income statement in 2006.

52 Contingent liabilities
The Group's contingent liabilities total €2,658 million (previous year: €2,083 million). €2,014 million of this relates to guarantee obligations and €251 million to liabilities from litigation risks.

In addition to these contingent liabilities, the Deutsche Postbank group has irrevocable loan commitments amounting to €16,583 million (previous year: €13,518 million).

53 Litigation
Details of litigation can be found in the Group Management Report.

54 Other financial obligations
In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €6,778 million (previous year: €5,028 million) from non-cancelable operating leases as defined by IAS 17. €2,049 million of this relates to the acquisition of Exel.

The Group's future non-cancelable payment obligations under leases are attributable to the following asset classes:

Leases	2004	2005
€m		
Land and buildings	4,192	5,975
Technical equipment and machinery	121	209
Other equipment, operating and office equipment	449	402
Aircraft	266	192
	5,028	**6,778**

The acquisition of Exel led to an increase in non-cancelable payment obligations under leases for land and buildings of €1,918 million. Future payment obligations for technical equipment and machinery rose by €131 million due to the acquisition of Exel.

The maturity structure of future non-cancelable payment obligations from operating leases is presented below:

Minimum lease payments	2004	2005
€m		
Minimum lease payments		
Year 1 after reporting date	858	1,296
Year 2 after reporting date	743	1,008
Year 3 after reporting date	595	809
Year 4 after reporting date	491	708
Year 5 after reporting date	393	506
Year 6 after reporting date and thereafter	1,948	2,451
	5,028	**6,778**

The present value of discounted minimum lease payments is €5,368 million (previous year: €3,845 million), based on a discount factor of 4.55% (previous year: 5.0%). Overall, rental and lease payments of €1,615 million (previous year: €1,516 million) arose in 2005, of which €911 million (previous year: €918 million) relates to non-cancelable leases.

Future lease obligations from non-cancelable leases relate primarily to the following companies:

Future lease obligations	2004	2005
€m		
Deutsche Post AG/ Deutsche Post Immobilien GmbH	2,230	1,976
Express and Logistics companies	1,959	2,080
Exel group	n.a.	2,049
Other Group companies (including Deutsche Postbank group)	839	673
	5,028	**6,778**

The purchase obligation for investments in noncurrent assets amounted to €932 million.

55 Related party disclosures

55.1 Related party disclosures (companies and Federal Republic of Germany)

In addition to the consolidated subsidiaries, Deutsche Post World Net has direct and 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.

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.

The federal government is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG's business relationships are entered into with the individual public authorities and other government agencies as independent individual customers. The services provided to the respective individual customers are immaterial to the overall revenue of Deutsche Post AG.

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 2005, Deutsche Post AG was invoiced for €66 million (previous year: €76 million) in installment payments relating to services provided by the Bundesanstalt, and Deutsche Postbank AG was invoiced for €4.2 million (previous year: €5.3 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 2005, the installments paid to the German federal government amounted to around €2.3 million (previous year: €2.9 million). In accordance with the agreement, the final payment will be made by July 1, 2006.

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 six 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 2005, this initiative resulted in 194 permanent transfers and 19 secondments with the aim of a permanent transfer.

Relationships with Deutsche Telekom AG and its subsidiaries

In fiscal year 2005, 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.

Deutsche Telekom AG and Deutsche Postbank AG have also entered into a master loan agreement for €0.6 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 40.

55.2 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 2005:

There were no material transactions between Deutsche Post World Net and executives of Group management level one (Board of Management and Supervisory Board). No loans were extended to members of the Board of Management or the Supervisory Board.

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 €0.9 million. Loans totaling around €3.0 million were granted to second-level executives, with terms varying between 5 and 30 years. Where no variable rate was agreed, interest rates were between 3.25% and 4.79%. The amount of the loans was €2.1 million as of December 31.

Details on the remuneration of members of the Board of Management and the Supervisory Board can be found in the Corporate Governance Report which forms part of the notes in this area.

56 Significant subsidiaries, joint ventures and associates

Significant subsidiaries, joint ventures and associates	Country	Dec. 31, 2004 Equity interest and share of voting rights %	Dec. 31, 2005 Equity interest and share of voting rights %	2004 Revenue[1] €m	2005 Revenue[1] €m
MAIL					
Global Mail Inc.	USA	100.00	100.00	156	593
Interlanden B.V.	Netherlands	100.00	100.00	76	71
Deutsche Post Global Mail (UK) Ltd.	UK	100.00	100.00	58	63
Deutsche Post In Haus Service GmbH	Germany	100.00	100.00	57	63
Deutsche Post Customer Service Center GmbH	Germany	–	100.00	–	62[2]
EXPRESS/LOGISTICS					
DHL Express (USA) Inc.	USA	100.00	100.00	1,032	3,561
DHL Express Vertriebs GmbH & Co. OHG	Germany	100.00	100.00	1,550	1,548
Air Express International USA Inc.	USA	100.00	100.00	1,226	1,372
DHL Freight GmbH	Germany	100.00	100.00	730	1,166
DHL Express (France) SAS	France	–	100.00	–	987[3]
DHL Express (Sweden) AB	Sweden	100.00	100.00	829	853
DHL Express (Italy) S.r.L.	Italy	100.00	100.00	648	807
DHL Express (UK) Limited	UK	100.00	100.00	641	646
DHL International (UK) Ltd.	UK	100.00	100.00	562	569
DHL Express Betriebs GmbH	Germany	100.00	100.00	547	534
DHL Danzas Air & Ocean Germany GmbH	Germany	100.00	100.00	452	514
DHL Express Iberia S. L. (subgroup)	Spain	100.00	100.00	283	504
DHL Solutions GmbH	Germany	100.00	100.00	251	480
DHL Logistics (HK) Ltd.	Hong Kong	100.00	100.00	346	421
DHL Freight and Contract Logistics (UK) Limited	UK	100.00	100.00	334	372
DHL Express (Netherlands) B.V.	Netherlands	100.00	100.00	358	368
DHL Japan Inc.	Japan	100.00	100.00	320	363
DHL Logistics (UK) Ltd.	UK	100.00	100.00	337	334
FINANCIAL SERVICES					
Deutsche Postbank AG (subgroup)	Germany	66.77	66.77	6,426	6,355
Deutsche Post Retail GmbH	Germany	–	100.00	–	1,228[4]
Significant joint ventures					
Express Couriers Ltd.	New Zealand	–	50.00	–	75[5]
Significant associates[6]					

Please note: Due to its inclusion as of December 31, 2005 into the consolidated financial statements, the Exel group has not yet been included in the 2005 consolidated revenue.

1) IAS amounts reported in single-entity financial statements
2) Consolidated subsidiary since January 2005
3) Transfer of operations of several French Group companies to DHL Express (France) SAS in 2005 following the merger as of December 31, 2004
4) Merger of retail outlet networks with Deutsche Post Retail GmbH as of January 1, 2005
5) Acquired in January 2005
6) trans-o-flex Schnell-Lieferdienst GmbH, which was reported here in the previous year, was sold in March 2005.

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Additional Information

57 Declaration of Conformity with the German Corporate Governance Code

On December 20, 2005, 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 2005 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.

58 Significant events after the balance sheet date

As of January 1, 2006, Deutsche Post World Net sold its 100% interest in McPaper AG, Berlin, Germany, because operating a company in the paper, office and stationery sector is no longer part of the Group's core competencies.

The sale of Deutsche Post World Net's 100% interest in Deutsche Post Wohnen GmbH, Bonn, Germany, was completed in January 2006.

As of January 1, 2006, Deutsche Postbank AG took over 850 retail outlets from Deutsche Post AG due to the acquisition of Deutsche Post Retail GmbH. This change in ownership also means that around 9,600 employees will change employer, working directly for Postbank in future. The purchase price for the retail outlets amounted to €986 million.

Following completion of the share purchase agreement concluded with the previous main 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 aquired 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. With the purchase Deutsche Postbank AG increased its shareholding in BHW Holding AG to 91.04% of the share capital and voting rights and 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 object of the mandatory offer is the acquisition of all no-par value shares of BHW Holding AG.

The purchase price for the 91.04% interest amounted to €1,550 million plus the incidental costs of €17 million so far accrued. The purchase price allocation using identifiable assets, liabilities and contingent liabilities at their fair values will be effected in accordance with IFRS 3. It was not yet completed by the time the consolidated financial statements were prepared.

As the BHW group will prepare IFRS consolidated financial statements for the first time for the period ended December 31, 2005, and these figures were not yet available by the time the consolidated financial statements were prepared, the disclosures required under IFRS 3 were made on the basis of the most recent financial statements available. These are financial statements prepared in accordance with the German commercial code HGB.

Acquired carrying amounts of BHW assets and liabilities (excl. AHBR)	Sept. 30, 2005
€m	adjusted
Cash reserve	103
Loans and advances to other banks	5,450
Loans and advances to customers	26,384
Financial assets	6,679
Property, plant and equipment	259
Other assets	12,395
Total assets	51,270
Due to other banks	8,933
Due to customers	20,499
Securitized liabilities	5,690
Provisions	2,033
Other liabilities	12,393
Subordinated debt	643
	50,191
Equity	1,079
Total equity and liabilities	51,270

To expand activities in Central and Eastern Europe, DHL acquired the Czech express service provider PPL on December 21, 2005. This transaction is still subject to approval by the Czech antitrust authorities and is expected to be completed in the first quarter of 2006.

In the freight business, Deutsche Post World Net acquired a 100% equity holding in the forwarding company Multicontainer S.A., Greece, on November 14, 2005. The acquisition became effective on January 1, 2006.

Information on further company acquisitions after the balance sheet date can be found in the Group Management Report under "Further Developments and Outlook".

59 Miscellaneous

The fees paid to the auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, that were expensed in fiscal year 2005, can be broken down as follows:

Auditor's fee	
€m	
Audits of the financial statements	9.7
Other assurance or valuation services	3.2
Tax advisory services	0.5
Other services	4.6

60 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, 2005. 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 (IFRSs) 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 IFRSs to the extent that the Deutsche Postbank group was not fully consolidated, as required by IAS 27, but was accounted for at equity.

The following tables 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.

60.1 Reconciliation of the income statement (Postbank at equity)

Reconciliation of the income statement (Postbank at equity)

€m	2005 Deutsche Post World Net (1)	Deutsche Postbank group (2)	Consolidation of income and expense and intercompany balances (3)	Other (4)	Deutsche Post World Net (Postbank at equity) (5)	2004 Deutsche Post World Net (Postbank at equity)
Revenue	44,594	–6,355	642	0	38,881	37,387
Other operating income	3,685	–505	111	0	3,291	1,010
Total operating income	**48,279**	**–6,860**	**753**	**0**	**42,172**	**38,397**
Materials expense	–23,869	4,455	–541	0	–19,955	–17,704
Staff costs	–14,337	626	–8	0	–13,719	–13,264
Depreciation, amortization and impairment losses	–1,911	134	0	0	–1,777	–1,699
Other operating expenses	–4,407	889	–206	0	–3,724	–3,422
Total operating expenses	**–44,524**	**6,104**	**–755**	**0**	**–39,175**	**–36,089**
Profit or loss from operating activities (EBIT)	**3,755**	**–756**	**–2**	**0**	**2,997**	**2,308**
Net income from associates	71	0	0	0	71	4
Net income from measurement of Deutsche Postbank group at equity	0	0	0	330	330	350
Net other finance costs/financial income	–773	37	2	–1	–735	–793
Net finance costs/financial income	**–702**	**37**	**2**	**329**	**–334**	**–439**
Profit or loss from ordinary activities	**3,053**	**–719**	**0**	**329**	**2,663**	**1,869**
Income tax expense	–605	226	0	0	–379	–227
Consolidated net profit or loss for the year	**2,448**	**–493**	**0**	**329**	**2,284**	**1,642**
attributable to						
Deutsche Post AG shareholders	2,235	–493	0	493	2,235	1,598
Minorities	213	0	0	–164	49	44

60.2 Reconciliation of the balance sheet (Postbank at equity)

Reconciliation of the balance sheet (Postbank at equity)

€m	Dec. 31, 2005 Deutsche Post World Net (1)	Deutsche Postbank group (2)	Consolidation of intercompany balances (3)	Other (4)	Deutsche Post World Net (Postbank at equity) (5)	Dec. 31, 2004 Deutsche Post World Net (Postbank at equity)
ASSETS						
Intangible assets	12,749	–223	0	1	12,527	6,677
Property, plant and equipment[1]	9,505	–753	0	0	8,752	7,243
Investments in associates	78	0	0	0	78	82
Investments in Deutsche Postbank group[1]	0	0	0	3,473	3,473	3,221
Other noncurrent financial assets	776	–42	0	–16	718	716
Investment property[1]	107	–72	0	0	35	131
Noncurrent financial assets	961	–114	0	3,457	4,304	4,150
Other noncurrent assets	373	0	0	0	373	235
Deferred tax assets	883	–434	0	0	449	244
Noncurrent assets	**24,471**	**–1,524**	**0**	**3,458**	**26,405**	**18,549**
Inventories	282	0	–3	0	279	224
Noncurrent assets and disposal groups held for sale	28	0	0	0	28	0
Current tax receivables	576	–50	0	0	526	549
Receivables and other assets	8,204	–1,523	1,207	0	7,888	5,339
Receivables and other securities from financial services	136,213	–136,213	0	0	0	0
Financial instruments	35	0	0	0	35	188
Cash and cash equivalents	2,084	–968	268	0	1,384	4,781
Current assets	**147,422**	**–138,754**	**1,472**	**0**	**10,140**	**11,081**
Total assets	**171,893**	**–140,278**	**1,472**	**3,458**	**36,545**	**29,630**
EQUITY AND LIABILITIES						
Issued capital	1,193	–410	0	410	1,193	1,113
Other reserves[1]	2,062	–1,470	0	1,470	2,062	466
Retained earnings[1]	7,452	–3,303	3	3,300	7,452	5,663
Equity attributable to Deutsche Post AG shareholders	10,707	–5,183	3	5,180	10,707	7,242
Minority interest[1]	1,833	–1	0	–1,722	110	24
Equity	**12,540**	**–5,184**	**3**	**3,458**	**10,817**	**7,266**
Provisions for pensions and other employee benefits	5,780	–585	0	0	5,195	5,298
Deferred tax liabilities[1]	1,080	–955	0	0	125	60
Other noncurrent provisions	2,361	–372	0	0	1,989	2,836
Noncurrent provisions	**9,221**	**–1,912**	**0**	**0**	**7,309**	**8,194**
Noncurrent financial liabilities	4,811	0	0	0	4,811	4,552
Other noncurrent liabilities	3,989	–3,784	28	0	233	260
Noncurrent liabilities	**8,800**	**–3,784**	**28**	**0**	**5,044**	**4,812**
Noncurrent provisions and liabilities	**18,021**	**–5,696**	**28**	**0**	**12,353**	**13,006**
Current tax provisions	625	–75	0	0	550	538
Other current provisions	1,825	–12	0	0	1,813	1,716
Current provisions	**2,450**	**–87**	**0**	**0**	**2,363**	**2,254**
Current financial liabilities	855	0	75	0	930	737
Trade payables	4,952	–83	0	0	4,869	3,176
Liabilities from financial services	128,568	–128,567	0	–1	0	0
Current tax liabilities	655	–97	0	0	558	437
Liabilities included in disposal groups classified as held for sale	20	0	0	0	20	0
Other current liabilities	3,832	–564	1,366	1	4,635	2,754
Current liabilities	**138,882**	**–129,311**	**1,441**	**0**	**11,012**	**7,104**
Current provisions and liabilities	**141,332**	**–129,398**	**1,441**	**0**	**13,375**	**9,358**
Total equity and liabilities	**171,893**	**–140,278**	**1,472**	**3,458**	**36,545**	**29,630**

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

60.3 Cash flow statement (Postbank at equity)

Cash flow statement (Postbank at equity) €m January 1 to December 31	2004 restated	2005
Net profit before taxes[1]	**1,869**	**2,663**
Net finance cost excluding net income from measurement at equity	816	664
Depreciation/amortization of noncurrent assets	1,699	1,777
Gains on disposal of noncurrent assets	–32	–165
Non-cash income and expense	100	77
Net income from measurement at equity[1]	–350	–330
Change in provisions	–1,207	–2,466
Taxes paid	–45	–260
Net cash from operating activities before changes in working capital	**2,850**	**1,960**
Changes in working capital		
Inventories	–9	17
Receivables and other assets	–806	–277
Liabilities and other items	543	–43
Net cash from operating activities	**2,578**	**1,657**
Proceeds from disposal of noncurrent assets		
Divestitures	1,535	1,142
Other noncurrent assets	534	521
	2,069	**1,663**
Cash paid to acquire noncurrent assets		
Investments in companies	–767	–4,135
Other noncurrent assets	–1,662	–1,905
	–2,429	**–6,040**
Interest and dividends received	240	226
Postbank dividend	589	137
Current financial instruments	–112	154
Net cash used in (previous year: net cash from) investing activities	**357**	**–3,860**
Change in financial liabilities	429	–275
Dividend paid to Deutsche Post AG shareholders	–490	–556
Dividend paid to other shareholders	0	–8
Issuance of shares under stock option plan	0	65
Interest paid	–458	–375
Net cash used in financing activities	**–519**	**–1,149**
Net change in cash and cash equivalents	2,416	–3,352
Effect of changes in exchange rates on cash and cash equivalents	–14	–45
Change in cash and cash equivalents due to changes in consolidated group	46	0
Cash and cash equivalents at January 1	2,333	4,781
Cash and cash equivalents at December 31	**4,781**	**1,384**

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

The cash flow statement including Postbank at equity is based on the consolidated financial statements including Postbank at equity. This means that the cash flows of Deutsche Postbank group are eliminated, but the cash flows between Deutsche Post World Net and Deutsche Postbank group are reincluded. In addition, net income from the measurement of 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 50.

Bonn, February 15, 2006
Deutsche Post AG

The Board of Management

Auditor's Report

We have audited the consolidated financial statements prepared by the Deutsche Post AG, Bonn, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 15, 2006

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Brebeck)	(Ruske)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Accepting social responsibility

We are committed to goals that generate benefits for the communities where we work. We respect the traditions, structures and values of the countries where we operate. The protection of our environment is part of our corporate responsibility. We promote our employees' social commitment.

Additional Information

Naturally on the move
We are making greater use of vehicles powered by compressed natural gas for parcel delivery. By the end of 2006, the DHL Express fleet in Germany will include over 170 of these vehicles.

Partner of the United Nations
We have entered into a strategic partnership with two major UN organizations. Improving procedures for international disaster response and emergency aid are initial joint activities.

Providing humanitarian aid
In emergencies, our Disaster Response Teams are ready to move at short notice and can optimize the management of incoming relief supplies at airports.

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- ○ accenture Corp. (USA, Board of Directors)
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● Membership of supervisory boards required by law

○ Membership of comparable supervisory bodies of German and foreign companies

* Group mandate

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● Membership of supervisory boards required by law

○ Membership of comparable supervisory bodies of German and foreign companies

* Group mandate

Glossary

Business-to-business
The exchange of goods, services and information between companies.

Business-to-consumer
The exchange of goods, services and information between companies and their consumers.

Consolidated load
Combination of several part loads into a consolidated shipment.

Contract logistics
Performance of complex logistics and logistics-related tasks along the value chain by a service provider. Services are tailored to the particular industry and customer and are provided under contracts lasting several years.

Conurbations
The forty largest cities in Germany, each with over 200,000 inhabitants.

C-TPAT
Customs-Trade Partnership Against Terrorism. A program initiated by the US customs authorities to ensure greater security along the supply chain. C-TPAT requires close cooperation between the customs authorities and businesses; it aims to increase national security and, in particular, protect against terrorist attacks.

Day-definite
Delivery of express shipments on a specified day.

Densely populated area
A city, town or suburb which is not considered a conurbation but which has a relatively high household density.

Direct marketing
The focusing of business activities on current or potential customers who are addressed personally, for example by visiting them, or by letter, telephone, fax or e-mail.

Distribution
Processes in the sales channel that flow from producers and manufacturers to the consumers.

Downstream access
As the dominant company in the market, Deutsche Post is obliged to make parts of the mail value chain available separately to customers and, under certain conditions, other postal service providers.

Exclusive license
In accordance with the German Postal Act, Deutsche Post AG has the exclusive license (which will expire at the end of 2007) to commercially transport letters and addressed catalogs that individually weigh up to 50g and cost less than two and a half times the standard rate. Notable exceptions include the transportation of higher-value services that provide special features and that can be separated from universal services.

Fast moving consumer goods
Everyday consumer goods that sell quickly.

Federal Network Agency *(Bundesnetzagentur)*
The role of national postal regulator provided for in the German Postal Act and the EU Postal Services Directive is performed in Germany by the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway *(Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen).* The Federal Network Agency is the successor organization to the Regulatory Authority for Telecommunications and Posts *(Regulierungsbehörde für Telekommunikation und Post).* It is responsible in particular for monitoring compliance with the German Postal Act and its associated ordinances.

Freight carrier
A company used for the transport of goods.

Full container load (FCL)
Transport of full loads from shipper to recipient.

German Postal Act *(Postgesetz)*
The purpose of the German Postal Act, which was adopted on January 1, 1998, is to promote postal competition through regulation and ensure the nationwide provision of appropriate and sufficient postal services. The Postal Act includes regulations on licensing, price control and the universal service.

Groupage
Shipments that are smaller than a full load and are consolidated for transport into a full container load with shipments of different shippers and/or recipients.

Hub
Main transshipment base. Collection center for the transshipment and consolidation of flows of goods in all directions.

IATA
International Air Transport Association.

Less than container load (LCL)
Loads that will not fill a container by themselves and are therefore grouped into a consolidated load for ocean transport.

Mail-related systems service
Service before and after mail transport, such as printing, addressing and response processing.

Multi-user warehouse
Distribution center in a strategic location that can be used by several customers.

Outsourcing
The subcontracting of tasks to external service providers.

Part-load
Loads that will not fill a container by themselves, but must be shipped end-to-end without handling.

Philately
Deutsche Post's philately division not only coordinates the development, production and distribution of German postage stamps, but also operates the largest philately mail-order business of all postal organizations in the world.

Preferred periodical
A press product of which more than 30% consists of journalistic reporting.

Price-cap procedure
Procedure whereby the Federal Network Agency approves prices for key mail products. The agency approves prices on the basis of parameters it stipulates in advance, which set the average changes in these prices within baskets of services defined by the agency.

Radio Frequency Identification (RFID)
Technology that permits data to be transmitted, received and stored using a transponder and without the need for physical or visual contact.

Same day
Same-day delivery.

Standard periodical
A press product of which no more than 30% consists of journalistic reporting.

TEU
Twenty foot container equivalent unit. Standardized container unit measuring 20 feet in length (1 foot = approximately 30 cm).

Time-definite
Delivery of express shipments at a specified time.

Index

Events and Contacts

Financial calendar ⓘ	
May 10, 2006	Annual General Meeting
May 11, 2006	Dividend payment
May 16, 2006	Interim report on the first quarter of 2006 Analysts' conference call
August 1, 2006	Interim report on the first half of 2006 Financials press conference and analysts' conference call
November 8, 2006	Interim report on the first nine months of 2006 Analysts' conference call

Investor events	
March 28, 2006	DRKW Business Service Conference (London)
March 31 – April 2, 2006	Invest Trade Fair (Stuttgart)
May 31 – June 1, 2006	Deutsche Bank German Corporate Conference (Frankfurt am Main)
June 1, 2006	Goldman Sachs Business Services Conference (London)
September 15 – 17, 2006	IAM 2006 International Investors' Trade Fair (Düsseldorf)

ⓘ Further events, updates and information on live Internet broadcasts can be found on http://investors.dpwn.com.

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Deutsche Post World Net supports the use of paper from sustainable forestry. The report is manufactured from 100% PEFC certified pulp.

8-Year Review

8-Year Review 1998 to 2005	1998	1999	2000	2001	2002	2003	2004	2005
€m				restated				
Revenue								
MAIL	11,272	11,671	11,733	11,707	12,129	12,495	12,747	12,878
EXPRESS	3,818	4,775	6,022	6,421	14,637	15,293	17,557[1]	18,273
LOGISTICS	0	4,450	8,289	9,153	5,817	5,878	6,786	7,949
FINANCIAL SERVICES	81	2,871	7,990	8,876	8,676	7,661	7,349	7,272
Corporate divisions total	15,171	23,767	34,034	36,157	41,259	41,327	44,439	46,372
Other/consolidation	–502	–1,404	–1,326	–2,778	–2,004	–1,310	–1,271[1]	–1,778
Total	**14,669**	**22,363**	**32,708**	**33,379**	**39,255**	**40,017**	**43,168**	**44,594**
Profit or loss from operating activities before goodwill amortization (EBITA)								
MAIL	944	1,009	2,004	1,960	2,144	2,082	2,085	2,030
EXPRESS	–7	60	76	176	270	365	373[1]	445
LOGISTICS	0	–27	113	159	173	206	281	315
FINANCIAL SERVICES	–4	58	505	522	679	568	716[2]	796
Corporate divisions total	933	1,100	2,698	2,817	3,266	3,221	3,455	3,586
Other/consolidation	–100	–179	–319	–270	–297	–246	–84[1]	609
Total	**833**	**921**	**2,379**	**2,547**	**2,969**	**2,975**	**3,371**[2]	**4,195**
EBIT								
MAIL	944	1,008	2,003	1,958	2,138	2,067	2,072	2,030
EXPRESS	–11	31	33	126	–79	152	117[1]	11
LOGISTICS	0	–67	13	42	80	116	182	315
FINANCIAL SERVICES	–5	58	505	520	678	567	714[2]	790
Corporate divisions total	928	1,030	2,554	2,646	2,817	2,902	3,085	3,146
Other/consolidation	–101	–179	–319	–270	–297	–246	–84[1]	609
Total	**827**	**851**	**2,235**	**2,376**	**2,520**	**2,656**	**3,001**[2]	**3,755**
Net profit for the period	**925**	**1,029**	**1,527**	**1,587**	**1,590**	**1,342**	**1,740**	**2,448**
Cash flow/investments/depreciation and amortization								
Cash flow from operating activities	–397	4,514	2,216	3,059	2,967	3,006	2,336	3,565
Cash flow from investing activities	–250	–2,983	–2,098	–2,380	–2,226	–2,133	–385	–5,052
Cash flow from financing activities	228	–364	–89	–619	147	–304	–493	–1,229
Investments	1,400	4,553	3,113	3,468	3,100	2,846	2,536	6,176
Depreciation and amortization	741	993	1,204	1,285	1,893	1,693	1,821	1,911
Assets and capital structure								
Noncurrent assets	9,485	9,791	11,081	12,304	14,536	15,957	17,027[3]	24,471
Current assets (until 2003: including deferred tax assets)	5,635	65,225	139,199	144,397	148,111	138,976	136,369[3]	147,422
Equity (excluding minority interest)	1,765	2,564	4,001	5,353	5,095	6,106	7,242[2]	10,707
Minority interest	229	56	79	75	117	59	1,623[2]	1,833
Current and noncurrent provisions	9,302	11,009	11,107	10,971	12,684	12,673	12,441	11,671
Current and noncurrent liabilities[4]	3,792	5,913	9,723	8,770	11,900	12,778	15,064	19,114
Total assets	**15,120**	**75,016**	**150,280**	**156,701**	**162,647**	**154,933**	**153,396**[2]	**171,893**

8-Year Review 1998 to 2005		1998	1999	2000	2001	2002	2003	2004	2005
					restated				
Employees/staff costs									
Total workforce (headcount including trainees)	at Dec. 31	260,520	301,229	324,203	321,369	371,912	383,173	379,828	502,545
Workforce calculated as FTEs (including trainees)	at Dec. 31	223,863	264,424	284,890	283,330	334,952	348,781	340,667[5]	455,115
Average workforce		263,342	304,265	319,998	323,298	375,890	375,096	375,461[5]	388,859
Staff costs	€m	9,860	11,503	11,056	11,246	13,313	13,329	13,840[2]	14,337
Staff costs ratio[6]	%	67.2	51.4	33.8	33.7	33.9	33.3	32.1[2]	32.2
Key figures revenue/income/asset and capital structure									
Return on sales[7]	%	5.7	4.1	7.3	7.6	7.6	7.4	7.0	8.4
Return on equity (RoE) before taxes[8]	%	63.1	35.9	62.1	45.9	35.5	34.2	29.2[2]	28.5
Return on capital employed (ROCE)[9]	%	5.7	1.9	2.0	1.5	1.6	1.7	1.9	2.3
Tax rate[10]	%	–6.3	–32.6	25.1	26.1	14.3	29.9	20.2[2]	19.8
Equity ratio[11]	%	11.7	3.4	2.7	3.4	3.1	3.9	5.8	7.3
Net debt (Postbank at equity)[12]	€m	n/a	1,361	2,010	1,750	1,494	2,044	–32	3,959
Net gearing (Postbank at equity)[13]	%	n/a	34.8	33.4	24.6	22.7	25.1	–0.4	26.8
Dynamic gearing (Postbank at equity)[14]	years	n/a	0.31	0.96	0.64	0.46	0.82	0.00	2.39
Key stock data									
(Diluted) earnings per share[15),16]	€	0.83	0.92	1.36	1.42	0.59	1.18	1.44[2]	1.99
(Diluted) earnings per share[15),16] before extraordinary expense	€	0.83	0.92	1.36	1.42	1.41	1.18	1.44[2]	1.99
Cash flow[17] per share[15),16]	€	–0.36	4.05	1.99	2.75	2.67	2.70	2.10	3.18
Dividend distribution	€m	155.79	178.05	300.46	411.74	445.12	489.63	556.40	834.84
Distribution ratio (distribution to consolidated net profit)	%	16.84	17.39	19.87	26.11	67.54	37.41	34.82[2]	37.35
Dividend per share[15]	€	0.14	0.16	0.27	0.37	0.40	0.44	0.50	0.70
Dividend yield (based on year-end closing price)	%	n/a	n/a	1.2	2.5	4.0	2.7	3.0	3.4
(Diluted) price/earnings ratio before extraordinary expense[18]		n/a	n/a	16.8	10.6	7.1	13.9	11.7[2]	10.3
Number of shares carrying dividend rights	millions	1,112.8	1,112.8	1,112.8	1,112.8	1,112.8	1,112.8	1,112.8	1,192.6
Year-end closing price	€	n/a	n/a	22.90[19]	14.99	10.00	16.35	16.90	20.48

1) Prior-period amounts restated as explained in item 9 in the Notes section.
2) Prior-period amounts restated as explained in item 5 in the Notes section.
3) From 2004 balance sheet presented in accordance with the new IAS 1 as explained in item 5 in the Notes section.
4) Excluding liabilities from financial services.
5) From 2004 excluding trainees.
6) Staff costs/revenue
7) Total EBITA/revenue; from 2004: total EBIT/revenue
8) Profit from ordinary activities/average equity (from 2004 including minority interest)
9) Profit from operating activities (EBIT)/average total assets
10) Income tax expense/profit from ordinary activities
11) Equity (from 2004 including minority assets)/total assets
12) Financial liabilities excluding securities, cash and cash equivalents, and long-term deposits
13) Net debt/net debt and equity (from 2004 including minorities)
14) Net debt/cash flow from operating activities
15) To enhance comparability, the calculation 1998 – 1999 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 (1998 – 1999: 42,800,000 shares).
16) The weighted average number of shares for the period is used for the calculation.
17) Cash flow from operating activities
18) Year-end closing price/earnings per share before extraordinary expense
19) Deutsche Post AG went public on November 20, 2000. Share price data have only been available since this date.

n/a = not available

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