

EARNINGS, FINANCIAL POSITION AND ASSETS AND LIABILITIES

THE GROUP'S ECONOMIC POSITION

Overall assessment by the Board of Management

The global economic recovery continued in the first half of 2010. As a globally operating logistics service provider, Deutsche Post DHL benefited noticeably from this recovery: revenue and earnings were up considerably compared with the prior year. The restructuring measures initiated last year have led to higher margins and increased profitability across all divisions. Following on these improvements, operating cash flow was also up year-on-year. As a result, our financial position continues to be very solid.

SIGNIFICANT EVENTS

Board of Management and Supervisory Board actions approved by a large AGM majority

We reported on this year's Annual General Meeting (AGM), which was held on 28 April 2010, and the key resolutions passed there on page 24 of the Interim Report for the period from January to March 2010.

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EARNINGS

Changes in reporting and portfolio

At the beginning of the year, we transferred DHL Express Sweden's domestic business to DHL Freight Sweden to enable us to meet changing customer requirements more efficiently. The prior-year segment reporting figures were adjusted accordingly.

At the beginning of March, DHL Express UK completed the sale of its day-definite domestic business. All assets and liabilities had previously been classified as held for sale.

In April, DHL Supply Chain Austria sold parts of its contract logistics operations. The transaction involved the temperature-controlled logistics and transport business.

At the end of June, DHL Express France sold its day-definite domestic business. All assets and liabilities had already been classified as held for sale as at 31 December 2009.

In accordance with the revised IAS 39, the previously unrecognised forward sale of 27.4% of Postbank's shares to Deutsche Bank has been recognised in profit and loss and is included for the first time at its fair value in net financial income.

Increase in consolidated revenue from continuing operations

Consolidated revenue from continuing operations rose by €2,236 million or 9.9% year-on-year in the first half of 2010 to €24,811 million. Positive currency effects of €787 million contributed to this. The share of revenue generated abroad also rose from 64.6% to 67.6%.

Higher volumes lead to increased expenses

The restructuring measures initiated in the previous year led to non-recurring expenses of €304 million in the reporting period, which were mainly incurred in the EXPRESS division (€272 million). Non-recurring expenses of €433 million were incurred in the comparable prior-year period.

At €979 million, other operating income for the first half of the year was down 9.0% on the figure for the previous year, which included higher income from the reversal of unused restructuring provisions.

Volume growth coupled with an increase in the oil price led to a rise in the materials expense for the first half from €12,471 million to €13,930 million.

In contrast, staff costs declined by €216 million or 2.5% to €8,323 million, primarily due to restructuring in the express business.

At €641 million, depreciation, amortisation and impairment losses were also €100 million below the prior-year figure. The restructuring of the US express business had resulted in prospective recognition of part of this item.

At €2,131 million, other operating expenses were up 20.8% on the figure for the previous year; this was due in particular to an increase in expenses attributable to asset disposal. This figure includes effects relating to the sales in the United Kingdom, France and Austria mentioned earlier.

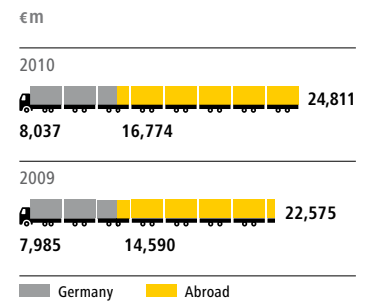
Increased EBIT and net financial income

At €765 million, profit from operating activities (EBIT) from continuing operations was €629 million up on the previous year's figure of €136 million. EBIT also improved after adjustment for non-recurring restructuring items – amounting to €304 million in the reporting period and €433 million in the prior-year period – by 87.9% to €1,069 million.

Net financial income almost doubled, from €610 million to €1,186 million. In 2010, this figure includes for the first time the measurement of the forward from the second tranche of the Postbank sale in the amount of €1,451 million.

We were able to increase profit before income taxes by €1,205 million to €1,951 million, whereas income tax expense fell by €62 million to €88 million. The measurement of the derivatives from the Postbank sale has no effect on tax. Overall, profit from continuing operations improved by €1,267 million to €1,863 million in the first half of 2010 (previous year: €596 million).

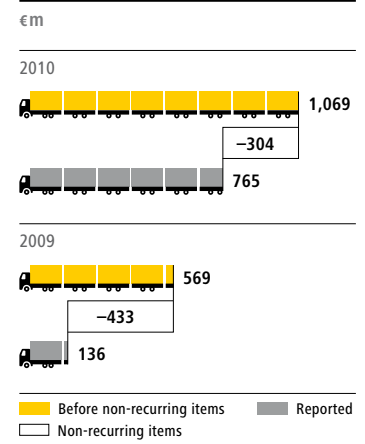
Consolidated revenue from continuing operations, H1



➔ Note 5

➔ Note 6

Consolidated EBIT from continuing operations, H1



Postbank included in net income from associates

Since Postbank was deconsolidated at the end of February 2009, the previous year's profit from discontinued operations contains the net loss generated in the first two months and the deconsolidation effect of €444 million. In the reporting period, the Group's share of Postbank's profit or loss is included in net income from associates.

Consolidated net profit and earnings per share up considerably

Consolidated net profit for the period improved by €835 million or 81.2% to €1,863 million (previous year: €1,028 million). €1,828 million of this amount is attributable to shareholders of Deutsche Post AG and €35 million to minorities. Both basic and diluted earnings per share rose significantly from €0.84 to €1.51 per share.

Selected indicators for results of operations (continuing operations)

		H1 2009	H1 2010	Q2 2009	Q2 2010
Revenue	€ m	22,575	24,811	11,070	12,795
Profit from operating activities (EBIT) before non-recurring items	€ m	569	1,069	257	503
Profit from operating activities (EBIT)	€ m	136	765	109	253
Return on sales ¹⁾	%	0.6	3.1	1.0	2.0
Consolidated net profit for the period ²⁾	€ m	1,010	1,828	66	81
Earnings per share ³⁾	€	0.84	1.51	0.06	0.07

1) EBIT/revenue.

2) Excluding minorities, including Postbank.

3) Including Postbank.

FINANCIAL POSITION

Significant increase in funds from operations

The principles and aims of financial management presented in the 2009 Annual Report starting on page 35 are still valid and are being pursued unchanged. We are also continuing to implement unchanged the Group's new finance strategy, whose main features are described on page 8 of the Interim Report for the period January to March 2010. It builds on the principles and aims of financial management and was adopted by the Supervisory Board in March.

As part of our finance strategy, we have introduced the dynamic performance metric of "FFO to debt", which is calculated on a rolling 12-month basis. The definition of this metric and the methodology used to calculate its individual components correspond to those used by the rating agency Standard & Poor's.

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Ratio of funds from operations (FFO) to debt

€ m	1 Jan. to 31 Dec. 2009	1 July 2009 to 30 June 2010
Operating cash flow before changes in working capital	763	1,648
⊕ Interest and dividends received	103	66
⊖ Interest paid	291	198
⊕ Adjustment for operating leases	1,082	1,082
⊕ Adjustment for pensions	153	153
⊕ Non-recurring items	1,415	955
⊖ Funds from operations (FFO)	3,225	3,706
Reported financial liabilities ¹⁾	7,439	7,487
⊖ Financial liabilities related to the sale of Deutsche Postbank AG ¹⁾	3,990	4,075
⊖ Financial liabilities recognised at fair value through profit or loss ¹⁾	141	137
⊕ Adjustment for operating leases ²⁾	4,933	4,933
⊕ Adjustment for pensions ²⁾	5,221	5,221
⊖ Surplus cash and near-cash investments ^{1),3)}	3,864	2,583
⊖ Debt	9,598	10,846
FFO to debt (%)	33.6	34.2

1) As at 31 December 2009 and 30 June 2010 respectively.

2) As at 31 December 2009.

3) Surplus cash and near-cash investments are defined as cash and cash equivalents and no-notice investment funds, less cash needed for operations.

Although funds from operations increased substantially, the performance metric only improved slightly due to the prepayment made to Bundes-Pensions-Service für Post und Telekommunikation and the dividend payment.

Our credit rating was reviewed in the second quarter of 2010 by international rating agencies Standard & Poor's and Moody's Investors Service. Both agencies confirmed their ratings of BBB+ and Baa1, and Standard & Poor's also upgraded its outlook from "negative" to "stable". The Group's credit quality therefore continues to be rated as adequate by both agencies.

Our liquidity is sufficient, due in part to the sale of Postbank. As a result, only an average of around 7.3% (previous year: 7.4%) of our unsecured committed credit lines were used in the reporting period. The total volume of these credit lines is currently €2.8 billion, €200 million of which had been used as at 30 June 2010. As at 30 June 2010, the Group had cash and cash equivalents of €2.1 billion. There are also no-notice investment funds of €1.3 billion that are reported as current financial assets in the balance sheet.

Capital expenditure increases in the second quarter

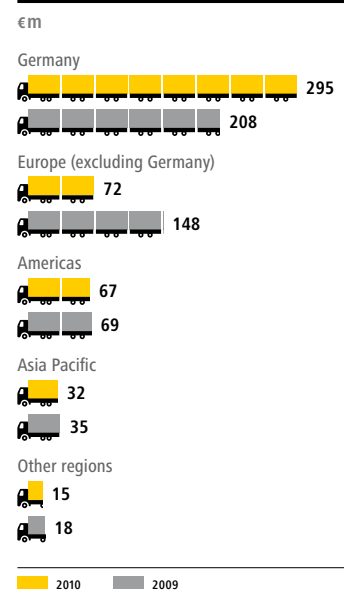
The Group's aggregate capital expenditure (capex) totalled €481 million as at the end of June 2010, which reflects a slight year-on-year increase of 0.6% (previous year: €478 million). Funds were used mainly to replace and expand assets as follows: €409 million was invested in property, plant and equipment, and €72 million in intangible assets excluding goodwill. Investments in property, plant and equipment related mainly to advance payments and assets under development (€139 million), technical equipment and machinery (€92 million), transport equipment (€53 million), aircraft (€41 million) and IT equipment (€35 million).

Our regional investments focused mainly on Europe and the Americas. In Europe, investments were centred on Germany and the UK.

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Investments by region, H1



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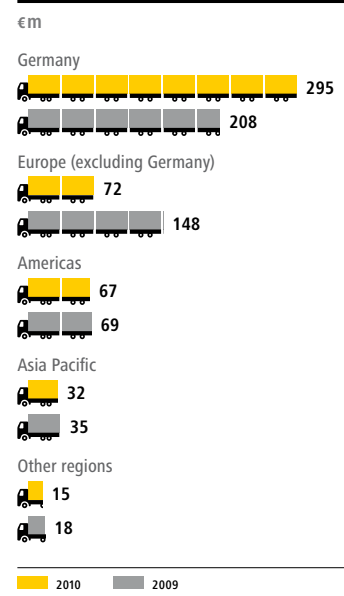
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Investments by region, H1



Capex and depreciation, amortisation and impairment losses, H1

€ m	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Continuing operations	
	2009	2010	2009 ¹⁾	2010	2009 ¹⁾	2010	2009	2010	2009	2010	2009	2010
	Capex	117	194	160	104	36	37	99	86	66	60	478
Depreciation, amortisation and impairment losses	170	141	216	192	57	49	164	151	134	108	741	641
Ratio of capex to depreciation, amortisation and impairment losses	0.69	1.38	0.74	0.54	0.63	0.76	0.60	0.57	0.49	0.56	0.65	0.75

1) Adjusted for €4 million due to reclassification of DHL Express Sweden from EXPRESS to GLOBAL FORWARDING, FREIGHT.

Capex and depreciation, amortisation and impairment losses, Q2

€ m	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Continuing operations	
	2009	2010	2009 ¹⁾	2010	2009 ¹⁾	2010	2009	2010	2009	2010	2009	2010
	Capex	70	112	88	63	16	19	39	49	24	43	237
Depreciation, amortisation and impairment losses	86	72	106	103	29	25	84	77	68	46	373	323
Ratio of capex to depreciation, amortisation and impairment losses	0.81	1.56	0.83	0.61	0.55	0.76	0.46	0.64	0.35	0.93	0.64	0.89

1) Adjusted for €2 million due to reclassification of DHL Express Sweden from EXPRESS to GLOBAL FORWARDING, FREIGHT.

In the first half of 2010, capex in the MAIL division increased from €117 million to €194 million. These investments related primarily to technical equipment and machinery (€71 million) as well as advance payments and assets under development (€60 million). The domestic mail business invested mainly in the replacement of technical equipment and machinery. Investments in the domestic parcel business focused primarily on sorting machines in the parcel centres.

In the EXPRESS division, capex totalled €104 million in the first half of 2010 (previous year, adjusted: €160 million). Here funds were principally allocated to regulatory aircraft maintenance, including advance payments and assets under development (€32 million). Regionally, we focused on Europe, where we upgraded terminals in Scandinavia, Italy and the Netherlands. In the Americas, we invested mainly in technical equipment and machinery and IT as part of the restructuring of our US express business.

In the GLOBAL FORWARDING, FREIGHT division, €37 million was invested in the reporting period (previous year, adjusted: €36 million). The Global Forwarding business unit accounted for €24 million of this expenditure. Investments were made mainly in intangible assets (€10 million) and IT equipment (€4 million). A total of €13 million was invested in the Freight business unit, a year-on-year increase of €2 million. Of this amount, €11 million related to property, plant and equipment and €2 million to intangible assets.

SUPPLY CHAIN capex amounted to €86 million. This represents a decrease of 13.1% on the same period in the previous year (€99 million), a result of our rigid controls on replacement investments and new projects. In the Americas, capex in the first half of 2010 focused mainly on new business projects in the Retail, Consumer and Automotive sectors. Customer-funded projects in the Retail and Energy sectors accounted for most of the replacement investments. In the UK, we continued to invest in warehousing and transport solutions for new and existing customers. Investments in other parts of Europe were limited to new and existing business solutions and essential replacements.

Cross-divisional capex continued to decline, dropping from €66 million in 2009 to €60 million in the first half of 2010. The purchase of vehicles and IT accounted for the highest share of expenditure. IT expenditure was down as a result of restructuring in 2009, whilst investments in vehicles were up.

Cash flow statement for continuing operations

Selected indicators on financial position (continuing operations)

€ m	H1 2009	H1 2010
Cash and cash equivalents as at 30 June	3,222	2,065
Change in cash and cash equivalents	1,613	-1,099
Net cash used in/from operating activities	-229	270
Net cash used in investing activities	-326	-343
Net cash from/used in financing activities	2,168	-1,026

Net cash from operating activities amounted to €270 million in the first half of 2010. Compared to this, in the prior-year period, net cash of €229 million had been used in operating activities. This clear improvement is due primarily to the €629 million increase in EBIT. The losses on the disposal of assets, which reduced EBIT by €255 million in the reporting period, have been corrected in the line item net income from disposal of non-current assets. The cash flow that resulted is presented in net cash used in investing activities. A decline in the utilisation of provisions also had a positive effect. Overall, net cash from operating activities before changes in working capital improved from €6 million in the previous year to €891 million in the reporting period. Changes in working capital, on the other hand, increased by €386 million, particularly as a result of the rise in receivables and other assets. The routine payment to *Bundes-Pensions-Service* made in January of each year led to an operating cash outflow totalling €556 million.

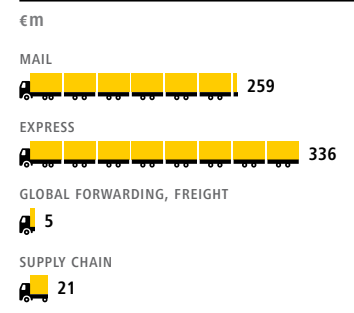
At €343 million, net cash used in investing activities was on par with the previous year (€326 million). Proceeds from the disposal of non-current assets are negative, since this item contains the cash flows from the sales of the day-definite domestic express business in the UK and France. The reduction in investments in investment funds was the main reason for the cash inflow of €293 million from changes in current financial assets.

Taken together, changes in cash flows from operating and investing activities resulted in free cash flow of €-73 million, an improvement of €482 million in comparison to the prior-year figure.

Net cash used in financing activities amounted to €1,026 million, as opposed to net cash from financing activities of €2,168 million in the previous year resulting from the subscription of the mandatory exchangeable bond by Deutsche Bank and the payment of the collateral for the put option for the remaining Postbank shares. The largest cash payment in this area, as is regularly the case in the first half of the year, was the dividend payment to our shareholders in the amount of €725 million.

Compared with 31 December 2009, cash and cash equivalents fell from €3,064 million to €2,065 million due to the changes to the cash flows from the individual activities of our continuing operations.

Operating cash flow by division, H1 2010



ASSETS AND LIABILITIES

Group's total assets increase

The Group's total assets amounted to €37,415 million as at 30 June 2010, €2,677 million (7.7%) more than at 31 December 2009.

The major part of this increase (€2,422 million) was attributable to non-current assets, which amounted to €24,444 million on the reporting date. In particular, non-current financial assets increased from €1,448 million to €2,925 million as a result of the measurement of the derivatives from the Postbank sale. Intangible assets increased by €648 million to €12,182 million, primarily because of a rise in goodwill due to currency translation differences. Property, plant and equipment, at €6,183 million, was more or less at its 31 December 2009 level, whereas investments in associates rose by €80 million to €1,852 million. In particular, Postbank's profit had a positive effect here. Deferred tax assets increased from €668 million to €848 million as at the reporting date.

Current assets rose by 2.0%, from €12,716 million to €12,971 million. Trade receivables in particular rose as a result of the higher sales volume, climbing €870 million to €5,779 million. Other current assets also rose significantly, due in particular to the deferral of the prepaid annual contribution to the *Bundes-Pensions-Service*. In contrast, cash and cash equivalents decreased compared with 31 December 2009 from €3,064 million to €2,065 million. Amongst other things, the dividend payment to shareholders reduced this item by €725 million. Current financial assets declined from €1,894 million to €1,671 million, mainly because we reduced current money market investments. The completion of the sale of DHL Express UK's and DHL Express France's day-definite domestic business was the main reason for the decline in assets held for sale from €179 million to €123 million.

Equity attributable to Deutsche Post AG shareholders increased by €1,898 million (23.2%) compared with 31 December 2009, to €10,074 million. This was mainly due to the improvement in the consolidated net profit and currency translation differences, whereas the dividend payment to our shareholders reduced this figure.

Current and non-current liabilities increased by €825 million compared with 31 December 2009 to €17,613 million, primarily because trade payables rose in line with the increasing volume of business. In addition, income tax liabilities rose by €105 million to €397 million. The completion of the sale of the day-definite domestic express business in the UK and France led to the derecognition in full of the liabilities associated with the assets held for sale. At €7,487 million, financial liabilities were slightly up on the reporting date for the comparative period (€7,439 million). Other non-current and current liabilities increased from €4,046 million to €4,377 million, primarily because a rise in amounts payable to employees led to an increase in other current liabilities. At €9,633 million, non-current and current provisions were slightly below the figure for 31 December 2009 (€9,677 million).

Indicators for continuing operations

Net liquidity declined from €1,690 million as at 31 December 2009 to €535 million as at 30 June 2010, because our investing and, in particular, our financing activities led to cash outflows. The equity ratio improved by 3.4 percentage points to 27.2%. The decrease in net liquidity also had an effect on net gearing, which changed from –25.7% to –5.6%.

Selected indicators for net assets (continuing operations)

		31 Dec. 2009	30 June 2010
Equity ratio	%	23.8	27.2
Net liquidity	€m	–1,690	–535
Net gearing	%	–25.7	–5.6
FFO to debt ¹⁾	%	33.6	34.2

1) For calculation, see page 9 of the Interim Report by the Board of Management.

Net liquidity

€m	31 Dec. 2009	30 June 2010
Non-current financial liabilities	6,699	6,701
⊕ Current financial liabilities	740	786
⊖ Financial liabilities	7,439	7,487
⊖ Cash and cash equivalents	3,064	2,065
⊖ Current financial assets	1,894	1,671
⊖ Long-term deposits ¹⁾	120	120
⊖ Positive fair value of non-current financial derivatives ¹⁾	805	2,284
⊖ Financial assets	5,883	6,140
⊖ Financial liabilities to Williams Lea minority shareholders	23	27
⊖ Mandatory exchangeable bond ²⁾	2,670	2,732
⊖ Collateral for the put option ²⁾	1,200	1,223
⊕ Net effect from measurement of Postbank derivatives ³⁾	647	2,100
⊖ Non-cash adjustments	3,246	1,882
Net liquidity (–)/net debt (+)	–1,690	–535

1) Reported in non-current financial assets in the balance sheet.

2) Reported in non-current financial liabilities in the balance sheet.

3) Reported in non-current financial assets and liabilities in the balance sheet.