



Dr Frank Appel, Chairman of the Board of Management

25 February 2009  
Financial year 2008

*Dear Shareholders,*



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One year into my chairmanship of the Board of Management, the Group has carved out a clear path for continued success. We have initiated steps to sell Postbank and to restructure the US express business, consistently implemented the Roadmap to Value and prepared ourselves for the impacts of the global economic crisis.

For Postbank, we have found the perfect partner in Deutsche Bank. Our thorough analyses and sound decision-making processes have paid off, and we established attractive conditions for the transaction despite the difficult market climate.

The second decision of great consequence concerned our US express business. In May, we began to restructure the business from the ground up in order to minimise losses that were no longer acceptable. Nevertheless, the weak US economy and declining shipment volumes have since then forced us to take even more drastic measures. In November, we decided to focus our express business in the US on our international offering and to exit the domestic business. This was certainly one of the most difficult decisions I have had to take in my management career to date.

The current economic crisis has taught us that we must do more to safeguard the future of our Group. With our Roadmap to Value capital markets programme, we are already well underway. As a result of the programme's initiatives, we have achieved encouraging growth rates in the emerging economies, cut costs and made operational improvements. We increased our reporting transparency by now reporting the logistics business units separately and our financial position is stable. Net cash from operating activities increased significantly, whilst working capital declined.

Thanks to these efforts, we have met our adjusted target for the period. Earnings from operating activities before non-recurring items (excluding Postbank) were just above our target of €2.4 billion. However, non-recurring items impacted our earnings. The repayment from the German government awarded as a result of the state aid proceedings boosted earnings, whilst the restructuring costs for the US express business and a write-down on the goodwill of SUPPLY CHAIN/CIS undermined our bottom line. Adjusted for non-recurring items, we are reporting a loss. EBIT (excluding Postbank) declined to € -567 million; the Group generated a consolidated net loss for the period of €1.98 billion.

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The economic downturn has impacted the entire logistics industry appreciably and, in turn, our business. Trading volumes continued to weaken in most of our business units, especially in the fourth quarter. We have seen that this trend has continued and even intensified in the first weeks of the new financial year.

Yet we are taking action. In keeping with our Roadmap to Value, we intend to cut costs further – an additional €1 billion by the end of 2010. We are setting strict standards for investments and acquisitions and further tightening our working capital. The restructuring in the US is progressing according to plan. We intend to minimise losses there to US\$ 400 million (annualised) by the last quarter of 2009.

Management is setting a clear example: The Board of Management and the Supervisory Board will not receive any performance-based bonuses for the past financial year.

I am thoroughly convinced that we will come out of the recession in a stronger position. Since we are the market leader with a global network and a comprehensive portfolio, we are able to respond more flexibly than competitors to our customers' changing requirements.

Now that we have boldly and systematically set a clear course, it is time to take up our strategy for the future. We want to maintain our position as “Die Post für Deutschland” (the postal service for Germany) whilst making optimum use of the global strength of our logistics business.

Together with our around 500,000 employees, we are creating a corporate culture marked by a focus on results and mutual respect. We intend not only to meet the expectations of our customers and shareholders in the future but to exceed them.

I would like to sincerely thank our employees for their hard work in an extremely challenging year and I thank you for your trust in our company. We would like to show our appreciation by proposing a dividend of €0.60 per share this year.

Yours faithfully,

